

July 30, 2025

## Techno Electric & Engineering Company Limited: Ratings reaffirmed; rated amount enhanced

### Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term fund based facilities	193.00	204.00	[ICRA]AA (Stable); reaffirmed/assigned for enhanced amount
Short term non-fund based facilities	180.00	280.00	[ICRA]A1+; reaffirmed/assigned for enhanced amount
Long term/Short term non-fund based facilities	2,161.00	2,476.00	[ICRA]AA (Stable)/[ICRA]A1+; reaffirmed/assigned for enhanced amount
Long term/Short term Unallocated limits	56.00	40.00	[ICRA]AA (Stable)/[ICRA]A1+; reaffirmed
<b>Total</b>	<b>2,590.00</b>	<b>3,000.00</b>	

\*Instrument details are provided in Annexure I

### Rationale

The reaffirmation of the ratings outstanding on the bank lines of Techno Electric & Engineering Company Limited (TEECL) factors in its established track record in the EPC (engineering, procurement and construction) business, backed by its strong execution capabilities and expertise in the design, engineering and commissioning of extra-high voltage (EHV) installations and specialty industrial systems. Over the years, the margins from the EPC business have been better than the peers, which reflects the company's ability to deliver projects on time, while tightly controlling costs and efficiently managing the working capital.

The revenues grew 51% to Rs. 2,268.7 crore in FY2025 over FY2024 with healthy operating margins at ~15%. The ratings derive strength from TEECL's healthy financial risk profile along with a comfortable capital structure, with nil debt as on March 31, 2025, and interest cover of 32.2 times for FY2025. The leverage and coverage metrics are expected to remain comfortable, going forward.

The ratings also positively factor in the significant increase in the order book position, which stood at ~Rs. 10,951 crore as on March 31, 2025. The healthy order book position provides strong revenue visibility over the near to medium term. The order intake and the revenue booking are expected to remain robust over the next few years on the back of stronger demand from the transmission and AMI segments.

The ratings are, however, constrained by the company's exposure to sectoral and client concentration risks, with major orders from the transmission & distribution (T&D) sector and flue gas desulphurisation (FGD) systems only, and the top five clients accounting for ~56% of the order book as on March 31, 2025.

ICRA also notes that the company has significant capex plans/investments over the next few years pertaining to the AMI business and data centre operations. The company plans to set up data centres in Chennai (24MW IT load) and Kolkata (15MW IT load), besides edge data centres across states as part of a project with Railtel over the next few years. Any higher-than-expected debt-funded capex will remain a key monitorable.

The company currently has orders to deploy 2.2 million smart meters worth ~Rs. 2,612 crore. While the order intake has remained robust for the AMI business, this would entail upfront capital expenditure to be recovered over a 10-year annuity which can moderate the available liquidity. In addition, the company will now be exposed to a large number of weak state distribution companies as counterparties. However, the implementation of direct debit facility or dedicated escrow accounts in the AMI orders can mitigate these risks. The company is expected to remain largely debt-free with a strong execution pipeline across multiple orders.

The Stable outlook on the long-term rating reflects TEECL's healthy revenue visibility in the EPC business, its reputed client profile, strong liquidity and healthy profitability from operations. Further, the outlook underlines ICRA's expectation that the entity's incremental capex for capacity expansion will be funded in a manner that it is able to durably maintain its debt protection metrics commensurate with the existing rating.

## Key rating drivers and their description

### Credit strengths

**Demonstrated track record in the EPC business** - TEECL has a long track record of operating as an EPC contractor in the power generation, transmission, distribution, and industrial segments for 60 years. In addition, TEECL has experience in the execution of sub-station/transmission projects under BOOT/BOOM<sup>1</sup> models. TEECL's EPC service delivery capabilities range from providing turnkey customised packaged solutions with high service component (including design and engineering) to executing turnkey captive power plant projects (of up to 100 MW), sub-station/switchyard projects of up to 765 kv, distribution system management projects and specialised industrial jobs, such as the design of high intensity power systems for aluminium smelter pots, fuel oil systems and off-site piping systems. Over the years, the company has made a footprint in the overseas markets as well as in the transmission and distribution segment.

TEECL was one of the early entrants in the 765-kv sub-station segment in India. In addition, TEECL has been a frontrunner in the rollout of emerging power transmission technologies like STATCOM (static synchronous compensator). In FY2020, the company forayed into electromechanical solutions, like FGD installation at thermal power plants. Moreover, TEECL has ventured into the fast-growing data centre segment through its 24-MW (IT load capacity) hyperscale data centre project in Chennai. Further, TEECL plans to set up a 15-MW (IT load capacity) data centre in Kolkata and edge data centres across states as part of a project with Railtel over the next few years.

**Operating margins in EPC business remain better than peers, demonstrating strong execution capability** - TEECL's operating margins from the EPC business have been in the range of 14-15% in the last two years. ICRA notes that TEECL's margins are considerably higher than its peers, which demonstrates strong execution capability. Moreover, its strategy to be present in segments, which have a minimum threshold level of design and engineering complexity, leads to less competitive pressure.

**Reputed client profile in EPC business; selective bidding for projects backed by assured funding lines limits counterparty risks** - TEECL is able to mitigate the counterparty credit risks by selectively bidding for projects having strong sponsors and/or secured funding lines, thus ensuring a faster cash collection cycle. The company's exposure to state discoms is expected to increase with higher orders in the AMI segment. Implementation of the direct debit facility or dedicated escrow accounts will be instrumental in keeping the receivable days under check.

**Comfortable financial profile** - Over the years, TEECL has been able to generate a steady stream of free cash flows, supported by a combination of high margins in the EPC segments, an efficient working capital deployment and asset monetisation initiatives. A consistent positive free cash flow generation has helped the company build a sizeable liquidity pool, which has been parked in liquid investments and high-yielding PMS investments. As on the latest available date (March 31, 2025), TEECL had a cash and liquid investment balance of ~Rs. 2,500 crore, including the proceeds from the QIP. TEECL's business return metrics also remained healthy, with healthy core-RoCE<sup>2</sup> in the last two years. The leverage and coverage metrics are healthy with nil debt levels as on March 31, 2025 and interest coverage of 32.2 times for FY2025.

**Investments in BOOT/BOOM transmission line projects generated incremental business for EPC segment** - TEECL entered the asset-intensive BOOT/BOOM transmission segment in CY2010 by leveraging its core EPC capabilities and generated incremental business for the EPC segment. Since then, TEECL has commissioned three BOOT/BOOM projects, entailing an investment of ~Rs.1,950 crore. However, in line with the company's strategy of following an asset-light model, it has exited all

<sup>1</sup> BOOT: build, own, operate, transfer; BOOM: build, own, operate, maintain

<sup>2</sup> Return on capital employed

its BOOT/BOOM transmission projects at attractive valuations that has freed up capital for redeploying in other growth opportunities.

### Credit challenges

**Exposure to sectoral and client concentration risks** - TEECL has high client and sectoral concentration risks with the top five clients accounting for 56% of the order book and the top two sectors accounting for ~90% of the order book as on March 31, 2025. The sectoral concentration risk is expected to remain high with the bulk of the order book in transmission and distribution. The company's foray into the data centre business is also expected to diversify its EPC order book to an extent in the near future.

**High receivable days blocking working capital** – The company's receivable days, including retention money, remained elevated in the range of 200-280 days during FY2022 and FY2023, though they have reduced to 181 days in FY2024 and further to 108 days in FY2025. While the retention money gets realised with a delay in the completion of the specified milestones, ICRA notes that the recoverable amount has not increased over these years.

**Significant capex plans/investments over the near to medium term** – The company has significant capex plans/investments over the next few years pertaining to the AMI business and data centre operations. It plans to set up data centres in Chennai (24MW) and Kolkata (15MW) and edge data centres across states as part of a project with Railtel over the next few years. The company has incurred ~Rs. 450 crore of capex for the data centre in Chennai with 24-MW IT load as of March 2025. Further, ~Rs. 500 crore is estimated to be incurred in FY2026 for the same. Any higher-than-expected debt-funded capex will remain a key monitorable.

At present, the company has orders for the deployment of 2.2 million smart meters worth ~Rs. 2,612 crore. While the order intake has remained robust for the AMI business, this would entail upfront capital expenditure to be recovered over a 10-year annuity which can moderate the available liquidity. In addition, the company will now be exposed to a large number of weak state distribution companies as counterparties. However, the implementation of direct debit facility or dedicated escrow accounts in AMI orders can mitigate these risks.

### Environmental and social risks

**Environmental considerations** - TEECL operates at multiple project sites at any point of time and, therefore, the risk of disruption on account of an adverse climate is low. Construction entities like TEECL benefit from the demand for the installation of equipment to comply with strict environmental norms (FGDs etc) set for thermal power projects. As construction entities generate air pollution, companies like TEECL remain exposed to the risk of temporary bans on operations in cities that are more sensitive to a deteriorating air quality.

**Social considerations** - Entities like TEECL face social risks stemming from the health and safety concerns of workers, manifestation of which could invite regulatory or legal action, besides reputational harm. TEECL has a track record of healthy relationships with its workers/employees, including contractual labour, with no material incidents of slowdown in execution because of workforce management issues.

### Liquidity position: Strong

TEECL's liquidity is assessed as strong, supported by its ability to generate positive free cash flows across business cycles. The investment value, including cash and cash equivalents, post the QIP proceeds stood at ~Rs. 2,500 crore as on March 31, 2025, which along with its largely undrawn fund-based working capital lines provides a sizeable liquidity cushion. The company has nil debt repayment obligations over the near to medium term.

## Rating sensitivities

**Positive factors** – The ratings may be upgraded if the sectoral and client concentration risks decline, driven by a sustainable uptick in order inflows from the industrial segment. A significant increase in the scale of operations, while maintaining healthy debt protection metrics, generation of meaningful returns from the ongoing development projects and a comfortable liquidity position may also support an upgrade.

**Negative factors** – The ratings may be downgraded if a sustained period of weak earnings and fresh order inflows leads to a decline in profits and cash accruals. The ratings may be under pressure if there is a significant increase in the receivable position and/or if there are any potential execution challenges in the ongoing projects leading to a consequent material deterioration in the liquidity profile. Any large debt-funded growth plan, which leads to a marked deterioration in the debt protection metrics may also trigger a downgrade.

## Analytical approach

Analytical approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of TEECL. As on March 31, 2025, the company had eight subsidiaries which are all enlisted in Annexure II

## About the company

TEECL is an established EPC company having core engineering skills and light construction capabilities in the power generation, transmission and distribution and industrial segments. Today, the company has positioned itself as a turnkey provider of customised packaged solutions with high service component (including design and engineering). It has also developed expertise in executing turnkey jobs in sub-station/switchyard projects of up to 765 kv (AIS/GIS), distribution system management, captive power plant projects (of up to 100 MW) and specialised industrial jobs, like the design of high-intensity power systems for aluminium smelter pots, fuel oil systems and offsite piping systems. Over the years, the company has also made a footprint in the overseas markets.

TEECL was one of the early entrants in the 765-kv sub-station segment in India. In addition, TEECL has been a frontrunner in the rollout of emerging power transmission technologies, like STATCOM (static synchronous compensator). In FY2020, the company forayed into electromechanical solutions like FGD installation at thermal power plants. Moreover, TEECL has ventured into the fast-growing data centre segment by embarking to set up a 24-MW (IT load) hyperscale data centre in Chennai and has got a project from Railtel Corporation to set up 102 edge data centres across the country.

## Key financial indicators (audited)

TEECL (consolidated)	FY2024	FY2025*
Operating income	1502.4	2268.7
PAT	268.5	422.9
OPBDIT/OI	14.0%	15.0%
PAT/OI	17.9%	18.6%
Total outside liabilities/Tangible net worth (times)	0.3	0.3
Total debt/OPBDIT (times)	0.0	0.1
Interest coverage (times)	12.3	32.2

Source: Company, ICRA Research; \* Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDITA: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	FY2026			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	July 30,2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Long term - Fund based	Long term	204.00	[ICRA]AA (Stable)	05-SEP-2024	[ICRA]AA (Stable)				
Long term/Short term – Non-fund based	Long term/Short term	2,476.00	[ICRA]AA (Stable)/[ICRA]A1+	05-SEP-2024	[ICRA]AA (Stable)/[ICRA]A1+	-	-	-	-
Long term/Short term - Unallocated	Long term/Short term	40.00	[ICRA]AA (Stable)/[ICRA]A1+	05-SEP-2024	[ICRA]AA (Stable)/[ICRA]A1+	-	-	-	-
Short term – Non-fund based	Short term	280.00	[ICRA]A1+	05-SEP-2024	[ICRA]A1+	-	-	-	-
Fund based facilities	Long term					30-Nov-2023	[ICRA]AA (Stable)	30-Aug-2022	[ICRA]AA (Stable)
Non-fund based facilities	Long term					30-Nov-2023	[ICRA]AA (Stable)	30-Aug-2022	[ICRA]AA (Stable)
Fund based facilities	Long term					30-Nov-2023	[ICRA]AA (Stable)	30-Aug-2022	[ICRA]AA (Stable)
Non-fund based facilities	Long term					30-Nov-2023	[ICRA]AA (Stable)	30-Aug-2022	[ICRA]AA (Stable)
Non-fund based facilities	Short term					30-Nov-2023	[ICRA]A1+	30-Aug-2022	[ICRA]A1+
Fund based facilities	Short term					30-Nov-2023	[ICRA]A1+	30-Aug-2022	[ICRA]A1+

### Complexity level of the rated instruments

Instrument	Complexity indicator
Long term - Fund based	Simple
Short term – Non-fund based	Very Simple

<b>Long term/Short term – Non-fund based</b>	Very Simple
<b>Long term/Short term - Unallocated</b>	Not Applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

**Annexure I: Instrument details**

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Long term fund-based facilities	-	-	-	204.00	[ICRA]AA (Stable)
NA	Long term/Short term non-fund based facilities	-	-	-	2,476.00	[ICRA]AA (Stable)/ [ICRA]A1+
NA	Short term non-fund based facilities	-	-	-	280.00	[ICRA]A1+
NA	Long term/short term unallocated limits	-	-	-	40.00	[ICRA]AA (Stable)/ [ICRA]A1+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

**Annexure II: List of entities considered for consolidated analysis**

Company name	TEECL ownership	Consolidation approach
Techno Infra Developers Private Limited	100.00%	Full consolidation
Techno Digital Infra Private Limited	100.00%	Full consolidation
Techno Data Centre Limited	100.00%	Full consolidation
Techno AMI Solutions Private Limited	100.00%	Full consolidation
Techno Green Energy Private Limited	100.00%	Full consolidation
Techno Wind Power Private Limited	100.00%	Full consolidation
Rajgarh Agro Products Ltd	96.10%	Full consolidation
Techno Electric Overseas Pte. Ltd.	100.00%	Full consolidation

Source: Company

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ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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