September 08, 2025

Mecon Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long Term-Non Fund Based-Others	395.53	379.00	[ICRA]BBB (Stable); reaffirmed
Long Term / Short Term-Unallocated	13.47	0.00	-
Short Term-Fund Based-Cash Credit	100.00	130.00	[ICRA]A2; reaffirmed
Total	**509.00**	**509.00**	

**Instrument details are provided in Annexure-I*

Rationale

The ratings reaffirmation reflects Mecon Limited's (Mecon) strong liquidity position, reflected in its sizeable free cash/bank and liquid investments of Rs. 597.5 crore and nil fund-based debt as on March 31, 2025. Its status as a 100% Government of India (GoI)-owned public sector undertaking (PSU) lends it with a high degree of financial flexibility, supporting the rating action. Mecon's profitability has remained highly volatile because of the operating losses in the past and low margins. In FY2024, Mecon reported high operating margins of 5.3% owing to a significant reversal of provisions made relative to the new provisions made. However, in FY2025, Mecon has reported operating loss as a result of increase in provision made for doubtful debt along with the increase in subcontractor expense and processing charges. Going forward, while a healthy outstanding order book position provides revenue visibility in the near term, the operating profitability is expected to continue to be subdued. Nonetheless, Mecon's debt-free status and a healthy liquidity position will keep the debt metrics comfortable. The execution of high-margin contracts and diversification into the non-metal segments is expected to improve the company's financial performance in the medium term and will be a key monitorable.

The ratings continue to factor in Mecon's high level of competency in the engineering and consultancy segment with a demonstrated track record of more than four decades and its continued efforts in diversifying into the higher margin non-metal segment, thus reducing the sectoral concentration risk. Further, the high share of revenue from PSU clients limits the counterparty risks. However, an elongated receivable period will keep the working capital cycle elevated. The company has seen limited accretion to reserves, given its volatile and subdued net profits because of the high manpower cost over the years.

The Stable outlook on the long-term rating reflects Mecon's comfortable revenue visibility, and ICRA's expectation of a gradual pick-up in the execution of higher-margin orders, which would help the company maintain a healthy liquidity profile.

Key rating drivers and their description

Credit strengths

Status of the company as a 100% GoI-owned entity – MECON is a Miniratna PSU under the administrative control of the Ministry of Steel. In the past, the company has received financial support from the GoI, both in the form of equity infusion, and extension of corporate guarantee for its borrowing programmes. Moreover, given its 100% GoI ownership, MECON enjoys a high degree of financial flexibility with lenders, which supports its credit profile.

Strong liquidity profile reflected by sizeable cash balance and debt-free status - Liquidity remains strong with free cash and liquid investment of Rs. 597.5 crore as on March 31, 2025. The large cash balances, along with its debt-free status provide comfort.

High level of competency in engineering and consultancy segment – MECON has a demonstrated track record of over four decades in the engineering and consultancy segment and has established itself as one of the leading consultancy companies in India, especially in the metals and mining segments. Over the last several years, MECON has also progressively built capabilities in the energy and infrastructure segments, especially in sectors like power and oil & gas.

Increase in share of orders from non-metals segment partly mitigated sectoral concentration risks – MECON traditionally had high dependence on the metals sector, thus exposing the company to sectoral concentration risks. However, over the years, MECON has started diversifying into the infrastructure and energy sectors from FY2016. Thus, the share of metals projects has steadily reduced in recent years. A major growth area for MECON has been in the energy SBU, where it has received large orders in the oil & gas segment. Going forward, the share of metals is expected to remain in the range of ~50-60%.

Credit challenges

Profits remain highly volatile – MECON's financial performance has remained highly volatile as reflected by operating losses in the past (till FY2018) and a positive margin thereon due to its focus on revenue diversification and growth in non-metal segments like energy and infrastructure and write-back of past liabilities. In FY2024, Mecon reported high operating margins of 5.3% owing to a significant reversal of provisions made relative to the new provisions made. However, in FY2025, Mecon has reported operating loss as a result of increase in provision made for doubtful debt along with an increase in subcontractor expense and processing charges.

Margins impacted due to sizeable manpower costs; however, employee productivity has been steadily improving over the years – Being a PSU, MECON has an inherent cost disadvantage over private players due to its high employee cost burden and subcontractor expense. In the last few years, employee expenses accounted for 40-60% of the overall operating cost of the PSU, which leads to a high degree of operating leverage. However, employee expenses, as a proportion of the operating income, have been steadily decreasing in the recent years.

Limited accretion to reserves over the years – MECON's accretion to reserves remains limited in the recent past due to subdued profitability. Due to low profitability, the TNW has remained range bound and, therefore, MECON's TOL/TNW has remained elevated at above 2.4 times till FY2023 which increased to 2.7 times in FY2024 and FY2025.

Liquidity position: Strong

Mecon's liquidity position is strong, supported by its large free cash and FD balance of Rs. 597.5 crore as on March 31, 2025, and no debt repayment obligations or major capex requirements. ICRA expects Mecon's free cash flows to remain positive in the near term and the liquidity position is likely to stay healthy.

Rating sensitivities

Positive factors - ICRA could upgrade Mecon's ratings if the company is able to demonstrate a healthy improvement in its profits and maintain healthy liquidity on sustained basis.

Negative factors - Pressure on Mecon's ratings could arise in case of a significant deterioration in its liquidity position along with weakening of the debt coverage indicators. A decline in the company's revenues and profitability on a sustained basis will also weigh on the ratings.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Parent: Government of India As Mecon plays a key supporting role in the country's infrastructure development, the assigned ratings factor in its strategic importance to the GoI, which ICRA expects should induce the Government to extend financial support to the rated entity, should there be a need
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the standalone financials of ML.

About the company

Mecon, incorporated in 1973 as a subsidiary of Steel Authority of India Limited, is one of the leading organisations that provides design, engineering, consultancy and contracting services in the field of metals and mining, power, oil & gas, and infrastructure. Mecon provides a full range of services required to set up greenfield and brownfield projects, from the concept to the commissioning, including turnkey execution. In 1978, Mecon was made an independent company under the administrative control of the Ministry of Steel.

Key financial indicators (audited)

Mecon Standalone	FY2024	FY2025
Operating income	1,023.0	1,163.7
PAT	55	29
OPBDIT/OI	5.3%	-1.6%
PAT/OI	5.3%	2.5%
Total outside liabilities/Tangible net worth (times)	2.7	2.7
Total debt/OPBDIT (times)	0.0	0.0
Interest coverage (times)	12.2	-2.8

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. Crore PAT: Profit after tax; OPBDIT: 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	Current rating (FY2026)			Chronology of Rating History for the past 3 years					
		Type	Amount rated (Rs. crore)	Sep 08, 2025	FY2025		FY2024		FY2023	
					Date	Rating	Date	Rating	Date	Rating
1	**Non-fund based limits**	Long term	379.00	[ICRA]BBB (Stable)	Jun 27, 2024	[ICRA]BBB (Stable)	-	-	Mar 16, 2023	[ICRA]BBB (Stable)
2	**Working capital facilities**	Short term	130.00	[ICRA]A2	Jun 27, 2024	[ICRA]A2	-	-	Mar 16, 2023	[ICRA]A2

3	**Unallocated limits**	Long term/Short term	0.00	-	Jun 27, 2024	[ICRA]BBB (Stable)/[ICRA]A2	-	-	Mar 16, 2023	[ICRA]BBB (Stable)/[ICRA]A2

Complexity level of the rated instruments

Instrument	Complexity Indicator
Non-fund based limits	Very Simple
Working capital facilities	Simple
Unallocated limits	NA

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	**Non-fund based limits**	NA	NA	NA	379.00	[ICRA]BBB (Stable)
NA	**Working capital facilities**	NA	NA	NA	130.00	[ICRA]A2

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis- Not applicable

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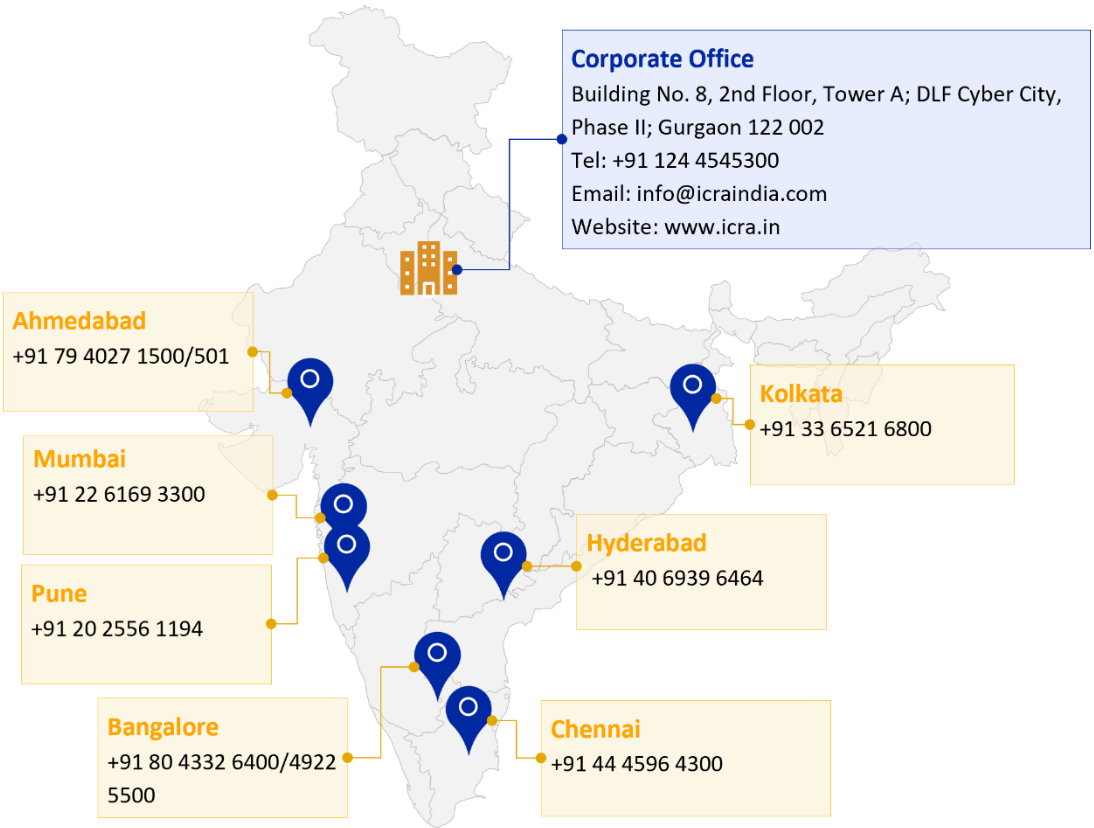

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