

March 23, 2026

## Mecon 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 – Non-fund based – Others	379.00	810.95	[ICRA]BBB (Stable); reaffirmed/assigned for enhanced amount
Long Term / Short Term – Unallocated	0.00	68.00	[ICRA]BBB (Stable) / [ICRA]A2; assigned
Short Term – Fund-based – Cash Credit	130.00	0.00	-
Short-term – Fund-based – Overdraft	0.00	130.05	[ICRA]A2; assigned
<b>Total</b>	<b>509.00</b>	<b>1009.00</b>	

\*Instrument details are provided in Annexure-I

### Rationale

The ratings reaffirmation factors in Mecon Limited's (Mecon) status as a 100% Government of India (GoI) owned public sector undertaking (PSU), lending it a high degree of financial flexibility, Further, its nil fund-based debt and strong liquidity position supported by sizeable free cash/bank and liquid investments of Rs. 546.3 crore as on December 31, 2025, keep the debt metrics comfortable.

The profitability of the company remained volatile over the years. Mecon reported an operating loss in FY2025 as a result of the increase in provision made for doubtful debt along with a rise in subcontractor expense and processing charges. Elevated manpower and other fixed expenses also constrained the operating profitability. In FY2026, however, the profitability is expected to improve, given a healthy outstanding order book position providing revenue visibility as well as execution of high-margin contracts and diversification into non-metal segments. However, on an absolute basis, operating profit is expected to remain subdued. Nonetheless, its debt-free status and a healthy liquidity position will keep the debt metrics comfortable. The ratings continue to factor in Mecon's elevated 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 support the credit metrics of the entity.

## Key rating drivers and their description

### Credit strengths

**Status 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. 546.3 crore as on December 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, it 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-metal 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, it 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 Strategic Business Unit (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, the company reported healthy operating margins of 5.3% owing to a significant reversal of provisions made relative to the new provisions made. However, in FY2025, Mecon reported operating losses as a result of the increase in provision made for doubtful debt along with increase in subcontractor expense and processing charges. For FY2026, the company is expected to report operating profits with a decline in the provision made for doubtful debts. However, on an absolute basis, operating profit is expected to remain subdued.

**Margins impacted due to sizeable manpower costs; however, employee productivity has been steadily improving over the years** – As 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 a major portion of the overall operating cost of the PSU, which caused high degree of operating leverage. However, employee expenses, as a proportion of the operating income, have been steadily decreasing in 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, TNW has been range-bound and, therefore, its 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 fixed deposit (FD) balance of Rs. 546.3 crore as on December 31, 2025, and no debt repayment obligations or major capital expenditure (capex) requirements. ICRA expects that its free cash flow will remain positive in the near term and the liquidity position will 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 a 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	<a href="#">Corporate Credit Rating Methodology</a>
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 providers of design, engineering, consultancy and contracting services in the field of metals and mining, power, oil & gas and infrastructure. The company provides comprehensive services for greenfield and brownfield projects, from concept development to 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	9M FY2026*
Operating income (OI)	1,022.6	1,163.7	881.4
PAT	54.6	29.0	-45.0
OPBDIT/OI	5.3%	-1.6%	-8.7%
PAT/OI	5.3%	2.5%	-5.2%
Total outside liabilities/Tangible net worth (times)	2.7	2.7	3.4
Total debt/OPBDIT (times)	0.0	0.0	0.0
Interest coverage (times)	12.2	-2.8	-25.1

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, \*Provisional

## 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)	FY2026			FY2025		FY2024		FY2023	
			Mar 23, 2026	Date	Rating	Date	Rating	Date	Rating	Date	Rating
<b>Non-fund based – Others</b>	Long Term	810.95	[ICRA]BBB (Stable)	Sep 08, 2025	[ICRA]BBB (Stable)	Jun 27, 2024	[ICRA]BBB (Stable)	-	-	Mar 16, 2023	[ICRA]BBB (Stable)
<b>Unallocated limits</b>	Long Term/Short Term	68.00	[ICRA]BBB (Stable)/[ICRA]A2	-	-	Jun 27, 2024	[ICRA]BBB (Stable)/[ICRA]A2	-	-	Mar 16, 2023	[ICRA]BBB (Stable)/[ICRA]A2
<b>Fund-based – Cash credit</b>	Short Term	0.00	-	Sep 08, 2025	[ICRA]A2	Jun 27, 2024	[ICRA]A2	-	-	Mar 16, 2023	[ICRA]A2
<b>Fund-based – Overdraft</b>	Short Term	130.05	[ICRA]A2	-	-	-	-	-	-	-	-

## Complexity level of the rated instruments

Instrument	Complexity Indicator
Non-fund based limits	Simple
Unallocated limits	Not applicable
Short Term – Fund Based – Overdraft	Simple

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	810.95	[ICRA]BBB (Stable)
NA	Overdraft	NA	NA	NA	130.05	[ICRA]A2
NA	Unallocated Limits	NA	NA	NA	68.00	[ICRA]BBB (Stable)/ [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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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.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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