

November 10, 2025

M.G. Contractors Pvt. Ltd.: Rating reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term – Fund-based – Cash credit	65.00	65.00	[ICRA]A (Stable); reaffirmed
Long-term – Non-fund based – Bank guarantee	815.00	619.00	[ICRA]A (Stable); reaffirmed
Total	880.00	684.00	

**Instrument details are provided in Annexure-I*

Rationale

The rating reaffirmation for M.G. Contractors Pvt. Ltd. (MGCPL) factors in its improved order book (OB) position (Rs. 3,098 crore as on August 31, 2025) providing medium-term revenue visibility and a comfortable financial risk profile reflected in a moderate leverage (total outside liabilities to tangible net worth (TOL/TNW) of 0.6 times) and healthy coverage metrics (interest cover of ~7.3 times as on March 31, 2025), which are expected to sustain over the medium term. The rating derives comfort from the extensive experience of the company's promoters, its healthy execution track record in the civil construction business and its reputed clientele comprising primarily public sector/Government entities, resulting in low counterparty risk.

MGCPL witnessed a healthy 15% year-on year (YoY) growth in its operating income (OI) to ~Rs. 1,851 crore, driven by ramp-up in the pace of execution of the outstanding order book under engineering, procurement, and construction (EPC) and hybrid annuity model (HAM) mode, coupled with continued ramp-up of operations in its ethanol subsidiary – M.G. Petrochem Private Limited (MGPPL, rated [ICRA]A(CE) Stable/ [ICRA]BBB (Stable)). However, its operating profitability moderated to 12.2% from 14.1% in FY2024, reflecting margin pressure especially in MGPPL (standalone margin of 5.5% in FY2025). Despite an improved OB position, with major order inflows in 5M FY2026, the OI is projected to decline by ~30% on a YoY basis in FY2026, followed by a strong recovery in FY2027. The company has received a major order – ~Rs. 1,129 crore – from Bharat Heavy Electricals Limited (BHEL) for setting up a dedicated unit (in BHEL's premises in Varanasi, Uttar Pradesh) and supplying fabricated structures for BHEL's pan-India requirements – for a tenor of 5 years. While MGCPL has been undertaking in-house fabrication for its own EPC projects for many years, BHEL's order is a first of its kind. This order constitutes 36% of the current OB and introduces execution and working capital risks, particularly around inventory management. Initial margins are expected to be lower, making timely execution and cash flow discipline critical and a key monitorable in the near term. In terms of developmental projects, MGCPL has no pending equity commitments in its ongoing HAM and any additional equity funding requirements (depending on new order developmental project order inflows) are expected to be met with internal accruals or in a manner that the capitalisation levels remain comfortable.

The rating remains constrained by the company's relatively moderate scale of operations, and execution risk with about 70% of the orders in hand in the early stage of execution (<10% execution). ICRA, however, draws comfort from its track record in the EPC business and successful completion of projects within time and budget. The rating remains constrained by the subdued performance of its subsidiary MGPPL, wherein the profitability remains sub-optimal leading to pressure on margins at the consolidated level. Moreover, MGPPL is undertaking capacity expansion to 300 KLPD (from 215 KLPD) in FY2026, entailing a capex of ~Rs. 25 crore. Its ability to complete the same and ramp-up the capacity utilisation to generate adequate cash accruals will be a key monitorable in the medium term. ICRA has factored in MGCPL's exposure to one road HAM project which is being developed under its subsidiary M.G. Banshidhar Pvt. Ltd. (MGBPL; rated [ICRA]A-(Positive)). While the project has achieved ~90% completion (as of September 2025) and over 100% of equity commitment infused, the annuity receipts are yet to

commence. Going forward, MGCPL plans to take up more BOT/HAM projects, which will entail additional equity commitments. Given the increasing scale of operations and equity commitments such projects entail, its ability to judiciously manage its working capital cycle and maintain its liquidity with execution ramp-up remain important from the credit perspective.

The rating continues to factor in the stiff competition in the construction sector, which could put pressure on margins and new order inflows and the company's exposure to sizeable contingent liabilities in the form of bank guarantees/surety bonds, mainly for contractual performance and mobilisation advance. Nonetheless, ICRA draws comfort from MGCPL's execution track record and absence of invocation of guarantees in the past. In the ethanol business (MGPPL), the company's revenues and profitability are exposed to agro-climatic (as rice and maize are key raw materials) and regulatory risks (e.g. Government regulates ethanol pricing, raw material availability (from FCI) and its pricing, ethanol blending target, etc).

The Stable outlook on the long-term rating reflects ICRA's opinion that despite a sharp YoY moderation in revenues in FY2026 on a standalone basis, MGCPL's improved order book will help it regain growth momentum in FY2027. Meanwhile, ICRA expects that its incremental capex and investments will be funded in a manner that it is able to durably maintain its liquidity and debt protection metrics.

Key rating drivers and their description

Credit strengths

Extensive experience of promoters in construction industry and reputed clientele – MGCPL's promoters have over three decades of experience in the construction sector, which has helped in creating strong execution capabilities with adequate infrastructure and manpower. Its track record of timely delivery helps it secure repeat projects from its clientele, which currently includes Government entities such as National High Speed Rail Corporation Limited (NHSRCL), Bihar State Road Development Corporation, Indian Railways, NHAI and BHEL, etc. The strong credit profile of its clients is favourably reflected in its low counterparty credit risk. A short receivable cycle (30-40 days), along with availability of funding in the form of mobilisation advances and security advances/deposits from sub-contractors results in moderate working capital intensity (as reflected in NWC/OI of 18% in FY2025 Vs. 22% in FY2024) and enables limited reliance on working capital debt.

Healthy order book position providing medium-term revenue visibility – MGCPL had a pending order book of ~Rs. 3,098 crore as on August 31, 2025, which was ~2.4 times of its standalone OI in FY2025 (vs. ~1.5 times as on August 31, 2024). This provides healthy revenue visibility, considering the average execution period of 2.5 years. As most of the new orders were received in YTD FY2026, ICRA expects MGCPL to register a sharp decline in revenues in FY2026 (25-30% YoY), followed by healthy growth in FY2027 (~45-50% YoY). Driven by sizeable order inflows in YTD FY2026, the company witnessed a change in segment mix in its OB, with the share of non-highway/ roadworks declining to ~20% (from ~60% as of August 2024). In its current OB, 40% share is of works are from the Indian Railways, 36% fabrication works (from BHEL), followed by the roads and highways segment at 20% and the balance from other civil works.

Comfortable leverage and coverage metrics – MGCPL's financial profile remains supported by steady execution, healthy profitability and low reliance on debt. The healthy profit margins and accruals are driven by the prudent project bidding, use of owned equipment, captive steel plates manufacturing unit and undertaking relatively higher complexity projects involving structures and bridges. Further, presence of price escalation clauses in most of the outstanding contracts in the OB reduces the exposure to raw material price volatility to an extent. In FY2025, the company reported a healthy revenue growth (15% YoY) even as operating margins moderated – to 12.2% FY2025 vs 14.1% in FY2024 – on account of MGPPL's teething issues. The company maintained a comfortable leverage (TOL/TNW of 0.6 times) and debt protection metrics (interest coverage at 7.3 times) as on March 31, 2025 and the same are expected to sustain at comfortable levels over the medium term, notwithstanding a transitory dip in FY2026 due to moderation in scale of operations.

Credit challenges

Concentrated order book and exposure to execution risk – While the order inflow was muted for MGCPL in FY2025, it improved in 5M FY2026, taking the unexecuted OB to Rs. 3,098 crore as on August 31, 2025 (Vs. Rs. 1,950 crore in August 2024). However, it remains exposed to concentration risk - with top five projects contributing ~83% and top three clients contributing ~70% of the order book as on August 31, 2025. Given the recent inflow of orders, the company is now exposed to execution risks associated with these contracts, as ~70% of orders in hand are in the nascent stages with less than 10% progress as on August 31, 2025, including some projects that are yet to receive the start date (~Rs. 2,200 crore of orders were received in 5M FY2026). This is expected to impact revenue booking in FY2026. Also, considering the increase in competition over the last two years, its ability to keep replenishing its OB to sustain its scale of operations and profitability will be a key monitorable. Notwithstanding the same, MGCPL's track record in the EPC business, repeat orders from clients and successful completion of projects within time, mitigates these risks to some extent.

Sizeable funding support to subsidiaries – MGCPL through its subsidiary – MGPPL – has set up a grain-based ethanol plant, which became operational in July 2023. It has infused equity and unsecured loans aggregating ~Rs. 104 crore (as on March 31, 2025) and has extended a corporate guarantee for the entire borrowings availed by MGPPL (~Rs. 198 crore). Given that this project has a different risk profile, it is yet to demonstrate optimal track record of profits, and has sizeable repayment obligations, wherein funding support from MGCPL could be required. Due to these factors, ICRA in its assessment has consolidated the financials of MGPPL with MGCPL. MGCPL is undertaking a road HAM project. While the same is nearing completion (achieved 90% completion as of September 2025) and over 100% of equity commitment has been infused, annuity receipts are yet to commence. Going forward, MGCPL plans to take up more BOT/HAM projects. Given the increasing scale of operations and equity commitments such projects entail, MGCPL's ability to judiciously manage its working capital cycle while maintaining its execution momentum will remain important from the credit perspective. Any significant increase in funding commitments may impact the liquidity and coverage metrics and thus would remain a key monitorable.

Risks associated with construction sector including sizeable non-fund based exposure – MGCPL is exposed to the cyclicity inherent in the construction industry and intense competition in the tender-based contract award system, resulting in the risk of volatility in order inflows, revenues and pressure on profit margins. However, its long presence and established relationship with clients, coupled with presence of price escalation clauses in most of the projects provides comfort. As inherent to the construction industry, it is exposed to sizeable contingent liabilities in the form of bank guarantees (o/s BGs of ~Rs. 355 crore as on August 31, 2025, viz. ~40% of tangible net worth as on March 31, 2025), mainly for contractual performance, earnest money deposit, mobilisation advance and security deposits. ICRA, nevertheless, draws comfort from MGCPL's execution track record and absence of invocation of guarantees in the past, as well as its long presence and established relationship with the clients, which support order inflows.

Liquidity position: Adequate

MGCPL's liquidity is likely to remain adequate, given the expectation of healthy cash flow from operations, supported by a steady working capital cycle, free cash balances (~Rs. 10 crore) and buffer of ~Rs. 16 crore in its fund-based working capital limits as on August 31, 2025 (average utilisation was ~80% in 12 months ended August 2025). It also had unutilised BG lines of ~Rs. 395 crore as on August 31, 2025, which could be utilised to avail mobilisation advances and/or release retention money against its existing order book. Incremental margin money requirement for BGs reduced to an extent with availment of surety bonds. Additionally, MGCPL has outstanding unsecured loans of ~Rs. 96 crore (above the 100% equity commitment as on July 31, 2025) to its subsidiary M G Banshidhar Private Limited undertaking a Road HAM project, which can be upstreamed (via drawdown of project debt) providing additional liquidity buffer. Against these sources, the company has debt repayment obligations of ~Rs. 11 crore and planned capex of ~Rs. 100 crore in FY2026-FY2027. The estimated cash flows from operations and available liquidity are likely to be sufficient for meeting its financial obligations.

Rating sensitivities

Positive factors – The rating may be upgraded if there is a significant improvement in its scale of operations, supported by healthy order accretion, with improvement in working capital intensity while maintaining the profitability and coverage metrics.

Negative factors – Negative pressure on the rating could arise in case of a slowdown in execution or fresh order inflow, or inability to improve working capital intensity or any deterioration profit margins resulting in significant deterioration in credit metrics. Further, larger-than-estimated investments in build operate transfer (BOT) projects/Group companies impacting the financial profile could exert pressure on the rating. The rating may be revised downwards if TOL/TNW increases to over 1.3 times on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Construction
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the rating, ICRA has considered the consolidated financials of MGCPL and its subsidiaries. ICRA has fully consolidated MGPPL as MGCPL has extended corporate guarantee for the entire debt of this subsidiary. ICRA has done limited consolidation for the HAM SPV – MGBPL factoring in the expected funding requirements (equity/ cost overrun support/operational shortfall) as no corporate guarantee has been/is proposed to be extended.

About the company

M.G. Contractors Pvt. Ltd. (MGCPL) was originally established as M.G. Associates, a partnership firm in 1989. It was later reconstituted as a private limited company in 1998. It undertakes construction, upgradation and maintenance of roads. It also constructs minor bridges over railways and is involved in mass earthwork. It has more than 30 years of experience and has executed many construction projects in multiple states. It is registered as a 'Class 1' Government contractor with the Government of Jharkhand, Bihar, UP, Delhi and J&K.

In the road segment, the company initially undertook projects under the EPC mode. However, in FY2022, it secured one developmental project from the NHAI, under the hybrid annuity mode, which is near completion in FY2026. MGCPL has set up and is operating a grain-based distillery for manufacturing ethanol in Panchkula (Haryana), under its wholly-owned subsidiary – M G Petrochem Private Limited. The distillery has been operational since July 2023.

Key financial indicators

Consolidated (MGCPL + MGPPL)	FY2024	FY2025
Operating income (Rs. crore)	1,613.8	1,851.4
PAT	110.7	111.1
OPBDIT/OI	14.1%	12.2%
PAT/OI	6.9%	6.0%
Total outside liabilities/Tangible net worth (times)	0.8	0.6
Total debt/OPBDIT (times)	1.4	1.2
Interest coverage (times)	6.4	7.3

Source: Company, PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; All ratios as per ICRA's calculations

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					
	FY2026			FY2025		FY2024		FY2023	
	Type	Amount rated (Rs crore)	Nov 10, 2025	Date	Rating	Date	Rating	Date	Rating
Fund-based – Cash credit	Long Term	65.00	[ICRA]A (Stable)	Oct 07, 2024	[ICRA]A (Stable)	Aug 11, 2023	[ICRA]A (Stable)	Jul 15, 2022	[ICRA]A (Stable)
Non-fund based – Bank guarantee	Long Term	619.00	[ICRA]A (Stable)	Oct 07, 2024	[ICRA]A (Stable)	Aug 11, 2023	[ICRA]A (Stable)	Jul 15, 2022	[ICRA]A (Stable)

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund-based – Cash credit	Simple
Long-term – Non-fund based – Bank guarantee	Very 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	Fund-based – Cash credit	NA	NA	NA	65.0	[ICRA]A (Stable)
NA	Non-fund based – Bank guarantee	NA	NA	NA	619.0	[ICRA]A (Stable)

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	MGCPL Ownership	Consolidation Approach
M.G. Contractors Pvt. Ltd.	-	Full Consolidation
MG Petrochem Private Limited	100%	Full Consolidation
M.G. Banshidhar Pvt. Ltd.	100%	Limited Consolidation*

Source: Company data

Note: *Limited consolidation as this is an SPV and no corporate guarantee has been issued/proposed for the term loans raised/ to be raised by the company

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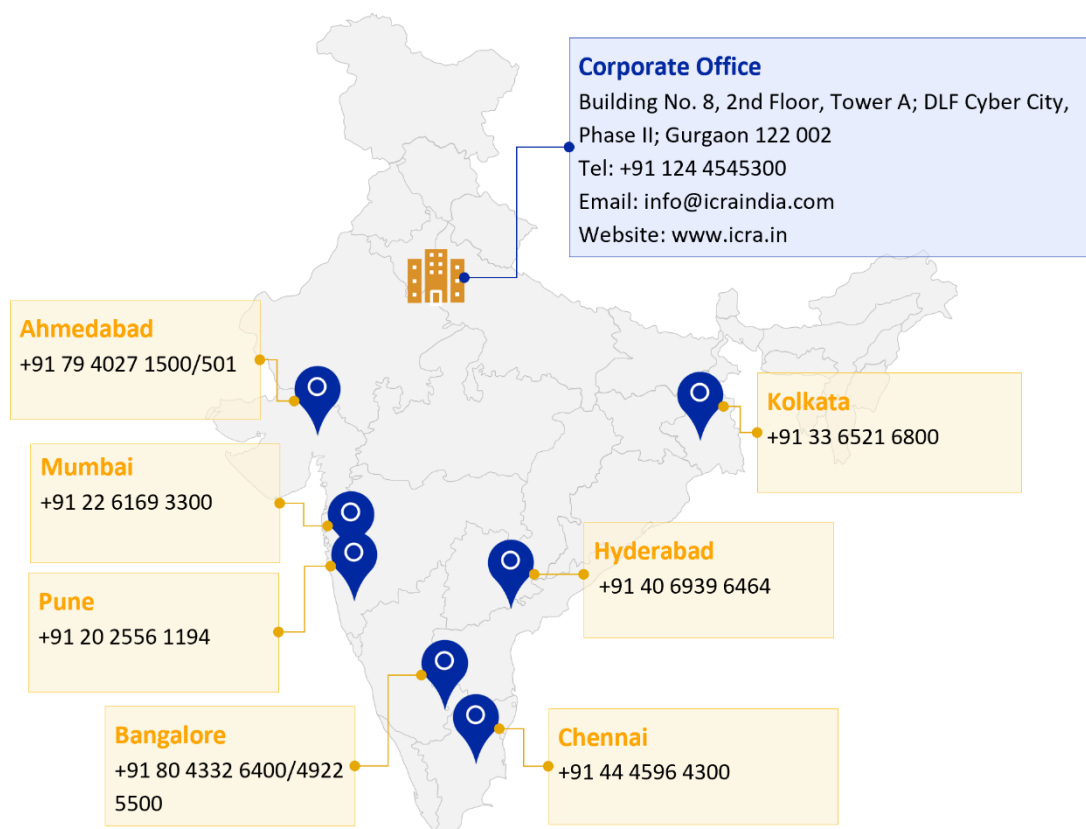
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