November 27, 2025

MEIL NGBI Link Package 1 Private Limited.: Rating assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based – Term loan	999.21	[ICRA]A- (Stable); assigned
Long-term – Interchangeable – Bank guarantee	(52.71)	[ICRA]A- (Stable); assigned
Total	**999.21**	

**Instrument details are provided in Annexure I*

Rationale

The assigned rating for MEIL NGBI Link Package 1 Private Limited. (MEIL NGBI 1) favourably factors in the proven and technical knowhow with established market standing of the sponsor, Megha Engineering & Infrastructures Limited (MEIL), in the engineering, procurement and construction (EPC) space in India. ICRA notes the sponsor's proven track record of more than 15 years in the irrigation and water segments and its demonstrated capabilities in completing complex projects across the country. ICRA notes the support undertaking provided by MEIL towards any financial exigencies in case of cost overruns during the construction phase and to meet any shortfall in operations and maintenance (O&M) expenses and debt servicing during the operational phase. The rating considers the inherent benefits of the hybrid-annuity based nature of the project, including upfront availability of right of way (RoW), automatic de-scoping of RoW pending beyond 730 days from the appointed date, and inflation-linked revisions to the bid project cost (BPC) during the construction period. The rating notes the relatively lower equity mobilisation risk with 40% of the BPC to be funded by the authority during the construction period in the form of a grant. The rating also factors in the stable revenue stream after commissioning with 60% of the inflation-adjusted balance project cost and reimbursement of interest during construction (IDC) expense being paid out as semi-annual annuity, along with interest at an SBI one-month MCLR + 2% and the inflation-adjusted O&M cost bid over the 20-year operations period from the authority. The presence of structural features of the debt, like the escrow, a cash flow waterfall mechanism, provisions for debt servicing reserves (DSRA) equivalent to next 6 months principal and interest, and restricted payment clause with a minimum DSCR of 1.20 times provides credit support.

The rating, however, remains constrained by the execution risks in the project, given the nascent stage of the project. The project achieved appointed date with effective from May 31, 2025, and has entered into a fixed-price contract with the EPC contractor, MEIL, and its ability to commission the project in a timely manner and within the budgeted costs would be important from the credit perspective. The company is exposed to the pending equity mobilisation risk as ~Rs. 440.45 crore of equity is yet to be infused as on September 30, 2025, over the next three years, out of the total equity requirement of Rs. 489.39 crore. ICRA, nevertheless, expects the sponsor to infuse the balance equity requirement from the operational cash flows in a timely manner. The company is exposed to counterparty risk. Being a state government funded project, it will be exposed to vagaries of the state government's financial position and may face delays in receipt of construction grants and semi-annuity payments. Nonetheless, the authority secured a loan of Rs. 4,500 crore from National Bank for Agriculture and Rural Development (NABARD) towards the funding of construction grant of five packages of Navnera – Galwa – Bisalpur – Isarda (NGBI) Link Project (including this project), which mitigates the grant related risk to a large extent during the construction period. However, the receipt of annuity payments, post achieving COD, in a timely manner remains to be seen and will remain a key rating monitorable. ICRA notes the authority efforts to elevate the Eastern Rajasthan Canal Projects (ERCP) under National Perspective Plan, which if materialises, the Central Government is expected to allocate funds towards the project and mitigates the counterparty risk to a larger extent. Post commissioning, the company must ensure satisfactory upkeep and undertake O&M and of the project stretch as per the Concession Agreement (CA) to avoid any deductions from annuities and O&M payments. Further, the company's cash flows are exposed to inflation risk as O&M receipts, though linked to the inflation index (75%*(80% WPI all India + 20% CPI for Jaipur)), may not be adequate to compensate for the actual increase in the maintenance expenses. Any significant deduction from the annuities or O&M payments or increase in the maintenance expenses from the budgeted level could impact its coverage metrics and remain a key rating monitorable.

The Stable outlook on the long-term rating reflects ICRA's opinion that the company will benefit from the hybrid annuity nature of the project, a technically strong sponsor and EPC contractor profile for timely commissioning of the project.

Key rating drivers and their description

Credit strengths

Established track record of sponsor in irrigation and water segment – MEIL has an established track record of over 15 years in the irrigation and water supply works across India. It has demonstrated its capability in executing complex projects in Telangana, Andhra Pradesh and Karnataka in the past. As on August 31, 2025, the order book is dominated by the water segment works, which comprises ~40% of the outstanding position, spread across over 10 states. MEIL NGBI Link projects has entered into a fixed-price EPC contract with MEIL, which has provided an undertaking towards cost overrun support during the construction phase and to meet any shortfall in O&M expenses and debt servicing during the operational phase.

Lower inherent risks from hybrid annuity nature of projects – The inherent benefits of the hybrid annuity-based nature of the project includes an upfront availability of RoW, automatic de-scoping of RoW pending beyond 730 days from the appointed date and inflation-linked revisions to the BPC during the construction period. Moreover, it faces relatively lower equity mobilisation risk with 40% of the BPC to be funded by the authority during the construction period in the form of a grant. A stable revenue stream post commissioning of the project with 60% of the inflation-adjusted BPC and reimbursement of IDC being paid out as annuity, along with interest at an SBI one-month MCLR + 2% and the inflation-adjusted O&M cost bid over the 20-year operations period from the project owner offer comfort.

Healthy coverage indicators and presence of structural features – Once operational, the project is expected to maintain healthy debt coverage indicators during the debt tenure. This provides the special purpose vehicle (SPV) adequate cushion to withstand any adverse movement in bank rates and inflation to a major extent. A DSRA equivalent to six months' debt service obligations, funded as a part of the project cost, provides comfort. The project enjoys credit support provided by other structural features of the debt, including the presence of escrow, cash flow waterfall mechanism and restricted payment clause with a minimum DSCR of more than 1.2 times.

Credit challenges

Execution risk related to under-construction project – The project achieved the appointed date with effective from May 31, 2025, and is exposed to inherent risks of execution including risks of delays and cost overruns. Its ability to commission the project in a timely manner and within the budgeted cost would be important from the credit perspective. The total estimated project cost of Rs. 2,446.92 crore is planned to be funded by the authority grant of Rs. 958.32 crore, term debt of Rs. 999.21 crore and equity/promoter contribution of Rs. 489.39 crore. As on September 30, 2025, the company has infused ~Rs. 48.94 crore, with the remaining likely to be infused over the next three years, as per the requirement. The sponsor is adequately placed to infuse the balance equity requirement from the operational cash flows in a timely manner.

Exposed to counterparty risk – Being a state government project, it will be exposed to vagaries of state government's financial health and may face delays in receipt of construction grants and semi-annuity payments. The project is to receive 40% of the BPC funded during the construction period in the form of grants (eight equal instalments). The authority has secured a loan of Rs. 4,500 crore from NABARD towards the funding of construction grant for five packages of NGBI (including this project), which mitigates the risk to an extent during the construction period. However, the receipt of annuity payments, post achieving COD, in a timely manner remains to be seen and is a key rating monitorable. Also, ICRA notes the authority's efforts to elevate the ERCP projects under National Perspective Plan, which if materialises, the Central Government is expected to allocate funds towards the project, mitigates the counterparty risk to a larger extent.

Project cash flows and returns exposed to O&M expenditure and inflation risks – Post commissioning, the company will have to undertake O&M of the project stretch as per the CA to avoid any deductions from its annuities. The company's cash flows are exposed to inflation risks as the O&M receipts, though linked to inflation (75%*(80% WPI all India + 20% CPI for Jaipur)), may not be adequate to compensate for the increase in the maintenance expenses. Hence, any material deductions from annuities or increase in maintenance expenses from the budgeted level could impact its debt coverage metrics and remain a key credit sensitivity.

Liquidity position: Adequate

At present, the project is under construction. The total estimated project cost of Rs. 2,446.92 crore is planned to be funded by the authority grant of Rs. 958.32 crore, term debt of Rs. 999.21 crore and equity/promoter contribution of Rs. 489.39 crore. The entity has already secured the funding tie-up for the project from National Bank for Financing Infrastructure and Development (NaBFID) and the construction grant is secured through a loan of Rs. 4,500 crore from NABARD by the authority. ICRA expects the sponsor to infuse the balance equity requirement from the operational cash flows in a timely manner. The sponsor has provided a support undertaking towards any cost overruns during the construction period and meeting any shortfall in maintenance expenses and debt servicing during the operational phase.

Rating sensitivities

Positive factors – The rating could be upgraded if the project achieves COD without any material time and cost overruns, along with the receipt of the first annuity without any major deductions.

Negative factors – Pressure on the rating could arise if the project's progress is delayed resulting in significant time and cost overruns, or if there is a deterioration in the credit profile of the sponsors, thereby heightening the equity mobilisation risk, or if delays in the receipt of grant or equity infusion increase the funding risks for the project.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Approach - Project Finance
Parent/group support	Not applicable
Consolidation/standalone	The rating is based on the company's standalone financial profile

About the company

MEIL NGBI Link Package 1 Private Limited is an SPV incorporated on March 13, 2024, by Megha Engineering and Infrastructures Limited for construction of Ramgarh barrage across Kul River (a tributary of Parvati River) and Mahalpur barrage across Parvati River. It includes construction of pump house including installation of pumps with 50% standby capacity and all hydro-electromechanical works for requisite discharge capacity near the left bank of submergence of Navnera barrage with proper intake arrangement and constructing rising main up to delivery cistern and will be implemented on hybrid annuity basis under Eastern Rajasthan Canal Project Corporation Limited (ERCPCL) in Baran and Kota districts of Rajasthan. The CA for the project was executed on June 25, 2024. According to the CA, the concession period for the project includes a construction period of 1,460 days plus a fixed period of 20 years of O&M period from the COD, i.e., about 24 years. The project received an appointed date with effective from May 31, 2025. The total estimated project cost is Rs. 2,446.92 crore to be funded by equity/unsecured loans from promoters of Rs. 489.39 crore (20% of project cost), authority construction support of Rs. 958.32 crore (40%) and term loan of Rs. 999.21 crore (40%).

About the sponsor:

Megha Engineering & Infrastructures Ltd (MEIL) is a multi-sector infrastructure company with strong footprints in irrigation and drinking water segments across the country and has diversified presence across sectors like transportation, hydrocarbons, electric buses, sewerage treatment, defense, city gas distribution, telecom, power generation and transmission and manufacturing. Incorporated by Mr. P Pitchi Reddy, MEIL is a closely-held EPC player headquartered in Hyderabad, which began its operation as a fabrication unit and has grown into a global engineering and infrastructure conglomerate in its 34-year journey.

Key financial indicators

Key financial indicators are not applicable as it is a project stage company.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: None

Rating history for past three years

	FY2026			Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
Instrument	Type	Amount Rated (Rs. crore)	Nov 27, 2025	Date	Rating	Date	Rating	Date	Rating
Term loan	Long-term	999.21	[ICRA]A- (Stable)	-	-	-	-	-	-
Interchangeable – Bank guarantee	Long-term	(52.71)	[ICRA]A- (Stable)	-	-	-	-	-	-

Note: *Amount in Rs. crore*

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund-based – Term loan	Simple
Long-term – Interchangeable – 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 Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	**Term loan**	Dec 24, 2024	NA	August 30, 2045	999.21	[ICRA]A- (Stable)
NA	**Interchangeable – Bank guarantee**	Dec 24, 2024	NA	August 30, 2045	(52.71)	[ICRA]A- (Stable)

Source: Company; Amount in Rs. crore

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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About ICRA Limited:

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.

For more information, visit www.icra.in

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