September 24, 2026

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	Financial sector regulator#
Long term fund based facilities	204.00	221.00	[ICRA]AA (Stable); reaffirmed and assigned for enhanced amount	RBI
Short term non-fund based facilities	280.00	0.00	-	RBI
Long term/Short term non-fund based facilities	2,476.00	2,673.00	[ICRA]AA (Stable)/ [ICRA]A1+; reaffirmed and assigned for enhanced amount	RBI
Long term/Short term fund/non-fund based limits	0.00	388.00	[ICRA]AA (Stable)/ [ICRA]A1+; reaffirmed and assigned for enhanced amount	RBI
Long term/Short term unallocated limits	40.00	0.00	-	RBI
Total	**3,000.00**	**3,282.00**		

**Instrument details are provided in Annexure I*

#SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of Financial Sector Regulators other than SEBI.

Rationale

The reaffirmation of the ratings of Techno Electric & Engineering Company Limited (TEECL) factors in its established track record in the engineering, procurement and construction (EPC) business, supported by its strong execution capabilities in complex power transmission and distribution projects. The company's focus on technically complex projects and selective bidding has supported operating margins that remain healthy and better than that of its peers.

TEECL recorded a strong revenue growth of around 43.3% in FY2026, supported by steady order inflows and healthy execution of its EPC and smart meter orders. The growth momentum continued in Q1 FY2027, with the operating income increasing by around 20% year-on-year (YoY) to Rs. 630.3 crore, while the operating margin remained healthy at 15.8% despite the input cost pressures. The healthy order book supported by fresh order inflows, along with a favourable demand from the transmission segment, provides strong revenue visibility over the near to medium term. The industry outlook remains supported by investments in renewable energy evacuation, grid expansion and modernisation. However, the order book remains concentrated in the transmission and distribution segment and among a few large customers, exposing the company to sectoral and client concentration risks.

The ratings continue to derive comfort from TEECL's healthy financial risk profile, characterised by low leverage, strong debt coverage metrics and sizeable cash and liquid investments. However, the company's working capital intensity increased in FY2026 because of higher receivables and contract assets, resulting in negative operating cash flows. The contract assets largely relate to the smart meter projects and transmission assets under development and are expected to be realised through project collections and asset monetisation.

ICRA notes the progress in TEECL's smart meter portfolio, involving the installation of 2.24 million meters under the Revamped Distribution Sector Scheme (RDSS) in four states at an aggregate project cost of around Rs. 2,612 crore. Around 1.85 million

meters had been installed by Q1 FY2027, with the balance expected to be completed during FY2027. With the installation phase nearing completion, the portfolio is expected to increasingly generate annuity-based revenues and cash flows. The remaining expenditure is expected to be funded through collections from the segment, limiting incremental support from the parent. Nonetheless, the business remains exposed to timely project completion, operational performance and collections from weak state distribution utilities as counterparties, although the escrow and direct debit mechanisms provide some protection.

TEECL's commenced its data center operations in FY2026 with the commissioning of the first phase of the Chennai facility. However, customer onboarding has been gradual, and the segment's near-term contribution is expected to remain modest. The company is also developing facilities at Noida and Kolkata and plans sizeable investments in the data business. This increases the capital intensity of the operations and exposes TEECL to execution, utilisation and return risks. Any significant debt-funded capex or slower-than-expected ramp-up in data center operations will remain the key monitorables.

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 over six decades of experience as an EPC contractor in the power generation, transmission, distribution and industrial segments. Its capabilities include turnkey captive power plants, substations and switchyards of up to 765 kV, air insulated substations (AIS), gas insulated substations (GIS), static synchronous compensators (STATCOM), digital substations, distribution systems and specialised industrial electrical works. The company also has experience in developing transmission projects under the build, own, operate and transfer (BOOT) and build, own, operate and maintain (BOOM) models and has historically monetised completed transmission assets.

TEECL has subsequently diversified into flue gas desulphurisation (FGD), advanced metering infrastructure (AMI) tariff-based competitive bidding (TBCB) transmission projects and data centers. Around 1.85 million of the 2.24 million awarded smart meters had been installed by Q1 FY2027, with the Madhya Pradesh concession entering the annuity phase. In the data center segment, the company commissioned 5.6 MW of IT load at Chennai in FY2026 and is developing facilities at Noida and Kolkata, besides edge data centers under its arrangement with RailTel. The company plans to undertake major capex over the next three years in the data center segment.

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 that 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 selectively bids for projects backed by established sponsors and/or secured funding arrangements, which partly mitigates the counterparty credit risks. Its exposure to state distribution utilities remains sizeable through the existing AMI concessions; however, dedicated escrow accounts and direct debit mechanisms provide payment security and mitigate the collection risks.

Comfortable financial profile - TEECL's financial profile remains healthy, supported by low leverage, robust debt coverage metrics and sizeable liquid investments. The company had earlier raised equity through a qualified institutional placement (QIP) in FY2025, which has since been partly deployed towards smart meters, data centers and transmission development projects while supporting the company's liquidity. As on March 31, 2026, the company had cash and liquid investments of ~Rs. 1,506.67 crore. The gearing remained low at 0.02x, while the interest coverage stood at 23.2x in FY2026. TEECL's historically

asset-light EPC business model supported healthy return indicators. However, the company's increasing investments in the asset-heavy data center business have moderated its core RoCE, and the ability of these investments to generate commensurate returns remains to be demonstrated.

The working capital intensity also increased in FY2026, largely because of a build-up in contract assets for the smart meter and transmission development projects. The expected monetisation of the Madhya Pradesh smart meter concession and the Ishanagar and Dhule transmission projects are likely to reduce the contract-asset balance and release the capital deployed.

Credit challenges

Exposure to sectoral and client concentration risks - TEECL's client concentration remains high, with the top five customers accounting for ~62% of the order book as on March 31, 2026. The sectoral concentration also remains high, with transmission and smart meter projects together comprising ~92% of the order book. While the company is diversifying into data centers, the segment's contribution to the revenues remains modest and its ability to reduce the sectoral concentration is yet to materialise.

High receivable days blocking working capital – TEECL's receivable period, including the retention money, increased to 141 days in FY2026 from 110 days in FY2025, mainly because of the higher billing in Q4 FY2026 and the consequent year-end build-up in receivables. The receivable days in FY2026, although increased, remained in line with the company's historical levels, reflecting the inherently long collection cycle in the EPC business due to milestone-based billing, customer certification and retention requirements. The receivable period remained comparable with, or lower than, that of industry peers. The retention money, which forms a significant part of the receivables, is generally realised after the completion of the specified contractual milestones or released against performance bank guarantees.

Significant capex plans/investments over the near to medium term – TEECL has incurred a cumulative capex of ~Rs. 628 crore towards its data center portfolio as on March 31, 2026, including ~Rs. 524 crore towards the commissioned 5.6-MW Chennai facility. The company is also developing data centers at Noida and Kolkata and plans to incur an annual capex of Rs. 500-600 crore over the near to medium term. The capex is expected to be funded through internal accruals and existing liquidity, while further expansion at Chennai will be undertaken only against confirmed customer contracts. Nevertheless, the pace of customer onboarding and the generation of commensurate returns from these investments will remain the key monitorables.

TEECL's smart meter portfolio, involving 2.24 million meters with an aggregate project value of ~Rs. 2,612 crore, is nearing completion, with ~1.85 million meters installed by Q1 FY2027. The remaining deployment expenditure is expected to be funded through lumpsum and annuity collections from the segment, with limited incremental funding support needed from the parent. The company's exposure to the state distribution utilities remains sizeable through the existing AMI concessions; however, dedicated escrow accounts and direct debit mechanisms provide payment security and mitigate the collection 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 heathy 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 liquidity remains supported by cash and liquid investments of around Rs. 1,506.67 crore as on March 31, 2026, along with largely undrawn fund-based working capital limits. The company has modest long-term debt repayment obligations. Although the capex is estimated to remain sizeable at Rs. 500-600 crore, it can be comfortably met through the existing cash and liquid investments and healthy expected cash accruals.

Rating sensitivities

Positive factors – The ratings may be upgraded if the company achieves a sustained increase in its scale of operations and greater sectoral diversification, while maintaining healthy debt protection metrics and a comfortable liquidity position. Generation of meaningful returns from the ongoing development projects will remain an important rating monitorable.

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. A 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	Corporate Credit Rating Methodology Construction
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of TEECL. The company's subsidiaries as on March 31, 2026 are all enlisted in Annexure II

About the company

TEECL is an established engineering, procurement and construction company with operations across the power generation, transmission and distribution and industrial segments. Its capabilities include turnkey captive power plants of up to 100 MW, air insulated substations and gas insulated substations of up to 765 kV, switchyards, transmission lines, distribution systems and specialised industrial electrical works. The company has also executed projects in the overseas markets.

TEECL was an early entrant in the 765-kV substation segment and has experience in emerging transmission technologies such as static synchronous compensators, digital substations and grid balancing systems. It entered the flue gas desulphurisation segment in FY2020 and subsequently diversified into smart metering, transmission projects under the tariff-based competitive bidding route and data centers.

In the data center segment, TEECL commissioned 5.6 MW of IT load at its Chennai facility in FY2026. The company is also developing data centers at Noida and Kolkata and implementing edge data centers under its arrangement with RailTel. Its data center offerings include colocation, cloud, bare metal, managed and network services.

Key financial indicators (audited)

TEECL (consolidated)	FY2025	FY2026	Q1 FY2027*
Operating income	2,268.7	3,251.6	630.3
PAT	422.9	473.9	93.3
OPBDIT/OI	15.0%	14.2%	15.8%
PAT/OI	18.6%	14.6%	14.8%
Total outside liabilities/Tangible net worth (times)	0.3	0.4	-
Total debt/OPBDIT (times)	0.1	0.2	-
Interest coverage (times)	31.7	23.2	26

*Source: Company, ICRA Research; *Results; 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

	FY2027			Chronology of rating history for the past 3 years					
	FY2027			FY2026		FY2025		FY2024	
Instrument	Type	Amount rated (Rs. crore)	Sep 24, 2026	Date	Rating	Date	Rating	Date	Rating
Fund based	Long term	221.00	[ICRA]AA (Stable)	July 30, 2025	[ICRA]AA (Stable)	Sep 05, 2024	[ICRA]AA (Stable)		
Non-fund based	Long term/ Short term	2,673.00	[ICRA]AA (Stable)/ [ICRA]A1+	July 30, 2025	[ICRA]AA (Stable)/ [ICRA]A1+	Sep 05, 2024	[ICRA]AA (Stable)/ [ICRA]A1+	-	-
Fund/Non-fund based limits	Long term/ Short term	388.00	[ICRA]AA (Stable)/ [ICRA]A1+	-	-	-	-	-	-
Unallocated	Long term/ Short term	-	-	July 30, 2025	[ICRA]AA (Stable)/ [ICRA]A1+	Sep 05, 2024	[ICRA]AA (Stable)/ [ICRA]A1+	-	-
Non-fund based	Short term	-	-	July 30, 2025	[ICRA]A1+	Sep 05, 2024	[ICRA]A1+	-	-
Fund based facilities	Long term	-	-	-	-	-	-	Nov 30, 2023	[ICRA]AA (Stable)
Non-fund based facilities	Long term	-	-	-	-	-	-	Nov 30, 2023	[ICRA]AA (Stable)
Fund based facilities	Long term	-	-	-	-	-	-	Nov 30, 2023	[ICRA]AA (Stable)

Non-fund based facilities	Long term	-	-	-	-	-	-	Nov 30, 2023	[ICRA]AA (Stable)
Non-fund based facilities	Short term	-	-	-	-	-	-	Nov 30, 2023	[ICRA]A1+
Fund based facilities	Short term	-	-	-	-	-	-	Nov 30, 2023	[ICRA]A1+

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term - Fund based	Simple
Long term/Short term – Non-fund based	Simple
Long term Short term fund/non-fund based limits	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	Financial sector regulator#
NA	**Long term fund-based facilities**	-	-	-	221.00	[ICRA]AA (Stable)	RBI
NA	**Long term/Short term non-fund based facilities**	-	-	-	2,673.00	[ICRA]AA (Stable)/ [ICRA]A1+	RBI
NA	**Long term/Short term fund/non-fund based limits**	-	-	-	388.00	[ICRA]AA (Stable)/ [ICRA]A1+	RBI

Source: Company

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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 Digital Infra 1 Private Limited (formerly Techno Clean Energy Private Limited)	100.00%	Full consolidation
Techno Digital Infra 2 Private Limited (formerly Techno Wind Power Private Limited)	100.00%	Full consolidation
Techno Data Center Limited	100.00%	Full consolidation

Company name	TEECL ownership	Consolidation approach
Techno AMI Solutions Private Limited	100.00%	Full consolidation
Techno AMI Solutions 1 Private Limited	100.00%	Full consolidation
Techno AMI Solutions 2 Private Limited	100.00%	Full consolidation
Techno AMI Solutions 3 Private Limited	100.00%	Full consolidation
Techno AMI Solutions 4 Private Limited	100.00%	Full consolidation
Techno Electric Overseas Pte. Limited	100.00%	Full consolidation
NERES XVI Power Transmission Limited	100.00%	Full consolidation
NERGS-I Power Transmission Limited	100.00%	Full consolidation
Rajgarh Agro Products Ltd (Adoni Data Centers Limited w.e.f. 16.07.2026)	96.14%	Full consolidation

Source: Company

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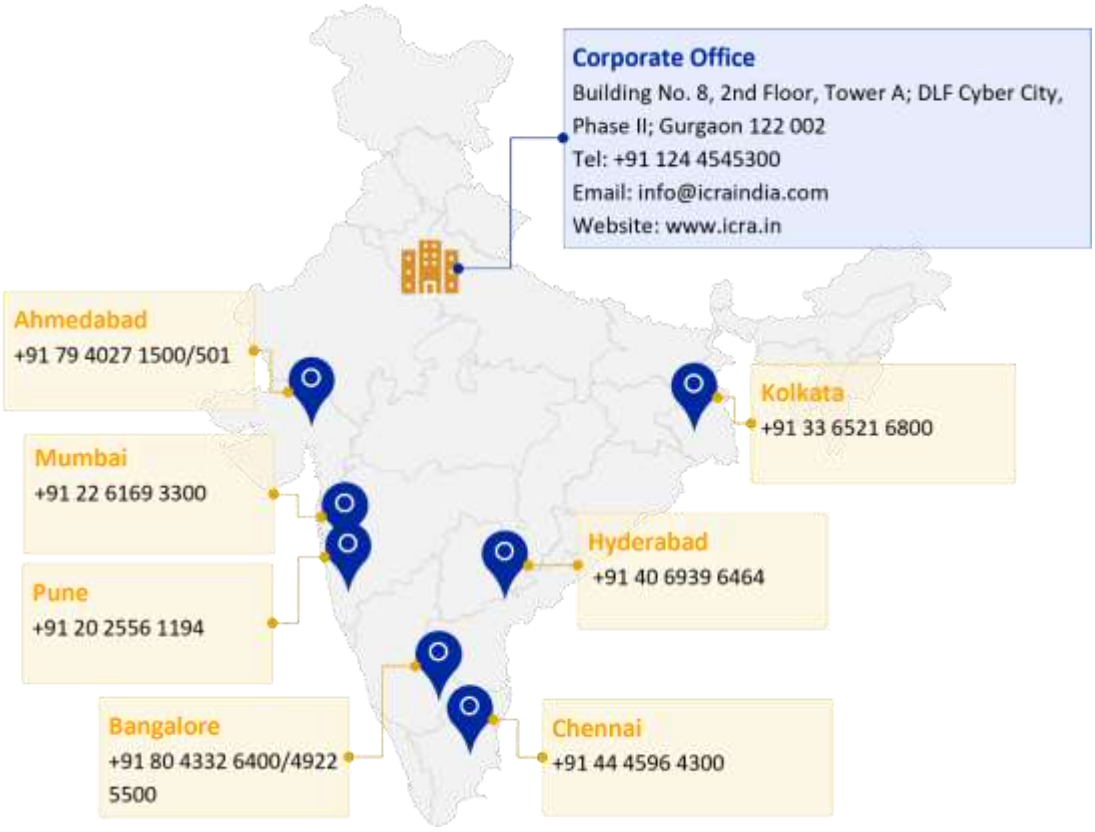
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