Toyo Engineering India Private Limited

April 03, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term / Short-term bank facilities	3,047.50	CARE A+; Stable / CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of the rating assigned to bank facilities of Toyo Engineering India Private Limited (TEIPL) continues to factor in the established presence and proven execution capabilities in the engineering, procurement, and construction (EPC) works of oil and gas, fertilisers, and petrochemicals sectors, among others, involving high degree of complexities, robust leverage and debt coverage indicators, and adequate liquidity indicators. The rating also derives strength from the technical and financial support of parent 'Toyo Engineering Corporation, Japan' in form of access to its technologies and know-how and deployment of skilled personnel wherever necessary and funds infused through external commercial borrowings in TEIPL for working capital support.

The rating also takes cognisance of the modest order book position, satisfactory financial performance in FY24 (FY refers to April 01 to March 31) and 9MFY25, with sustained profit before interest, lease rentals, depreciation, and taxation (PBILDT) margins at 6.07% in FY24 compared to 6.15% in FY23. The PBILDT margins were affected slightly considering commodity price rise impact on fixed-price contracts. While the order book has moderated, CARE Ratings Limited (CARE Ratings) understands that the addition of new work orders, particularly from the private segment, is expected in FY26 which would provide a stable revenue visibility. Rating strengths are tempered by lower order additions, fluctuating revenue based on order execution, moderate profitability given the exposure to volatile raw material prices, and fixed price lumpsum turnkey (LSTK) contracts, working capital intensive operations with high gross current asset (GCA) days, and intense competition in the segment.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement of PBILDT margins above 10% on a sustained basis.
- Improvement in orderbook concentration and enhanced revenue visibility.
- Significant improvement in GCA days to ~180 days.

Negative factors

- Elongation in GCA days beyond 300 days on a sustained basis.
- Reduced orderbook and/ or impact of fixed-price contract on profitability on a continued basis.
- Un-envisaged debt impacting coverage with total outside liabilities to tangible net worth (TOL/TNW) exceeding 2x.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings expects TEIPL's business risk profile to be steady backed by healthy order book providing medium-term revenue visibility and a continued comfortable financial risk profile with lower reliance on external borrowings.

Detailed description of key rating drivers:

Key strengths

Well-established track record in executing orders involving high degree of complexities

TEIPL was established on October 12, 1981, and is engaged in EPC and project management consultancy (PMC) services. The company has a satisfactory track record in executing complex projects such as petroleum refineries, petrochemicals, fertilisers, among others. It executes orders of its parent company, Toyo Engineering Corporation (TEC), with select projects in India and

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

overseas. Takashi Kawahara, Managing Director, heads the team of experienced and qualified professionals, who manage the company's day-to-day operations. TEIPL provides PMC and has the ability of executing large and complex engineering projects on LSTK basis – from concept to commissioning, with engineering and support departments equipped with state-of-the-art engineering manpower pool, tools and skills, and requisite infrastructure. The company has executed complex and large engineering projects on a turnkey basis across sectors such as hydrocarbon, cryogenics, power, fertilisers, and related to other industrial applications. The company also benefits from access to manpower and engineering support from the parent, TEC.

Modest orderbook position

As on January 01, 2025, the company's order book position stood at ₹3,227 crore (PY: ₹4,618 crore), ~1.18x (PY: 1.98x) of the FY24 income, providing short-term revenue visibility. The order book constituted orders worth ₹2,732 crore from the EPC segment (85% of the outstanding orderbook) and ₹496 crore from the consultancy segment (15% of the outstanding order book). Work order addition has been on lower side in FY25 with new order addition expected from the private segment in the medium term.
TEIPL's EPC order book of comprises reputed clientele including Indian Oil Corporation Limited (IOCL, rated CARE AAA; Stable/ A1+), Bharat Petroleum Corporation Limited, Numaligarh Refinery Limited, and Nayara Energy Limited (CARE AA-; Stable/A1+) among others whereas, consultancy income comes majorly from TEC, Japan, the parent company of TEIPL and from other strong clientele such as IOCL. The order book continues to be concentrated, with four orders contributing ~64% of the total orderbook.

Satisfactory financial performance in FY24 and 9MFY25

The company's total operating income (TOI) increased by 17% year-on-year and stood at ₹2,743 crore in FY24 against ₹2,337 crore in FY23. Almost 82% of the total revenue is from EPC, with 18% from consultancy orders. Turnkey contracts tend to be of fixed-price nature, thus impacting profitability. TEIPL's PBILDT margin remained within the range of ~6%-6.5% in the last three years.
In 9MFY25, the company reported a TOI of ₹1,698 crore, marking a year-on-year decline of 9% compared to ₹1,857 crore in 9MFY24. The profitability slightly moderated, though remained comfortable, with the PBILDT margin recorded at 5.70% as of December 31, 2024. CARE Ratings expects margins to normalise at historical levels going forward. The company also, as a policy, creates provisions for a defect liability period, which impacts profitability. However, this is reversed on project completion.

Comfortable debt coverage indicators:

TEIPL's capital structure remains healthy with nil external debt as on December 31, 2024. Leverage is comfortable with overall gearing comfortable at 0.53x as on March 31, 2024. TEIPL's reliance on working capital borrowings have reduced after receiving external commercial borrowings (ECB) from parent-TEC, in Q3FY22. Other debt coverage metric TOL/TNW and term debt/PBILDT also stood comfortable at 1.23x and 2.81x respectively as on March 31, 2024. Fund-based working capital limits have not been utilised for 12 months ending January 31, 2025.

Key weaknesses

Working capital-intensive operations

The company's operations are working capital-intensive, marked by elongated receivables owing to milestone-based payment terms with a significant portion of retention money. Thus, GCA days have increased to 249 days in FY24 from 238 days in FY23. The collection period also remained heightened due to increasing unbilled revenue owing to ramp-up of a few large orders and longer milestone payments. TEIPL funds its working capital requirements through back-to-back arrangement practice in payment to sub-contractors and interest-free mobilisation advances. The working capital gap arising from these extended receivables have been met through ECBs infused by TEC, Japan which gives comfort from credit perspective.

Competition in EPC segment and price volatility risk in LSTK EPC projects:

TEIPL is exposed to risks arising from cyclicality and intense competition in the EPC and PMC segments, which can result in volatile operating margins. TEIPL's TOI depends on capex plans of companies operating in end-user industries, including oil and gas, petrochemicals, fertilisers, infrastructure, among others, which further depends on economic scenario and sector outlook. This can have a direct impact on TEIPL's order book. TEIPL's principal raw material is structural steel, exposing it to fluctuating steel prices. Some components or equipment in LSTK contracts are imported, further exposing the company to inherent foreign exchange fluctuation risk.

Liquidity: Strong

The company has strong liquidity position, given that it has no external debt (term loans and fund-based working capital utilisation) with cash and cash equivalents of ₹421 crore as on December 31, 2024.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria
[Definition of Default]
[Liquidity Analysis of Non-financial sector entities]
[Rating Outlook and Rating Watch]
[Financial Ratios – Non financial Sector]
[Construction Sector]
[Infrastructure Sector Ratings]
[Short Term Instruments]

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Construction	Construction	Civil construction

TEIPL is a majorly owned subsidiary of TEC, Japan (holding 98.9% equity stake and balance is with Toyo Engineering Limited employee Trust). The company is engaged in EPC and PMC services for customers in oil & gas, refinery, fertilizer, petrochemicals, and infrastructure sectors.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	2,337	2,743	1698
PBILDT	144	167	97
PAT	76	102	73
Overall gearing (times)	0.55	0.53	0.55
Interest coverage (times)	3.48	4.19	3.55

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based/Non-fund-based-LT/ST		-	-	-	2047.50	CARE A+; Stable / CARE A1+
Fund-based/Non-fund-based-LT/ST		-	-	-	1000.00	CARE A+; Stable / CARE A1+

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based/Non-fund-based-LT/ST	LT/ST	2047.50	CARE A+; Stable / CARE A1+	-	1)CARE A+; Stable / CARE A1+ (29-Mar-24)	1)CARE A+; Stable / CARE A1+ (30-Mar-23)	1)CARE A+; Stable / CARE A1+ (29-Mar-22)
2	Fund-based/Non-fund-based-LT/ST	LT/ST	1000.00	CARE A+; Stable / CARE A1+	-	1)CARE A+; Stable / CARE A1+ (29-Mar-24)	1)CARE A+; Stable / CARE A1+ (30-Mar-23)	1)CARE A+; Stable / CARE A1+ (29-Mar-22)

LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based/Non-fund-based-LT/ST	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Puja Jalan Director **CARE Ratings Limited** Phone: +91-40-4002 0131 E-mail: puja.jalan@careedge.in
Relationship Contact Saikat Roy Senior Director **CARE Ratings Limited** Phone: 912267543404 E-mail: saikat.roy@careedge.in	Utkarsh Yadav Assistant Director **CARE Ratings Limited** Phone: +91-22-6837 4413 E-mail: utkarsh.yadav@careedge.in Dina Arora Lead Analyst **CARE Ratings Limited** E-mail: dina.arora@careedge.in

About us:
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