

February 09, 2022

Toshiba Johnson Elevators (India) Private 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/ Short-term Non-fund Based Limit	-	110.00	[ICRA]BBB(Stable)/[ICRA]A3+; reaffirmed/assigned
Short-term Non-fund Based Limit	50.00	-	-
Long-term Fund based Limit	4.00	-	-
Short-term Fund Based Limit	1.00	-	-
Short-term Interchangeable Limit	(4.00)	-	-
Total	55.00	110.00	

*Instrument details are provided in Annexure-1

Rationale

The reaffirmation of the ratings continues to factor in Toshiba Johnson Elevators (India) Private Limited's (TJEIPL) strong promoter background with the company being a joint venture (JV) between Toshiba Elevator and Building Systems Corporation (TEBSC), Japan, and Johnson Lifts Private Limited (JLPL). Both companies have an established experience in the elevator and escalator industry world-wide. The ratings favourably note TJEIPL's reputed client base with a track record of repeat business, and the revenue growth with an improved demand and execution in the current fiscal. ICRA also notes company's favourable financial profile, characterised by a comfortable capital structure and healthy debt protection metrics with negligible reliance on external borrowings.

The ratings, however, are constrained by the moderate scale of operations and its modest profit margin, arising largely from the trading nature of the elevator supply business. The ratings are further constrained by intense competition from other established players in the elevator manufacturing and supply business in India.

The Stable outlook reflects ICRA's expectations that the company would continue to benefit from the technical and marketing support from both the JV partners with an expected improvement in market share, profit margins and an adequate liquidity position.

Key rating drivers and their description

Credit strengths

Strong promoter background – TJEIPL enjoys strong operational support and financial flexibility given its experienced promoters. While TEBSC (a subsidiary of Toshiba Corporation, Japan) has an extensive track record in the manufacturing of elevators and escalators, JLPL is an established player in the Indian elevator market. TEBSC extends technical and operational support to the company, and JLPL extends marketing support. ICRA notes that the company enjoys financial flexibility as a subsidiary of TEBSC., besides favourable credit terms from the parent.

Reputed customer base and pan India presence – TJEIPL has executed premium projects across the country in hotel, commercial and residential segments. Its sales offices are in Mumbai, Pune, Chennai, Bengaluru, Kochi, Delhi, Jaipur and Kolkata. The company has a reputed customer base, leading to low counter-party risk.

Comfortable capital structure and coverage indicators – TJEIPL's financial profile remains favourable with a comfortable capital structure and healthy coverage indicators. It has been getting favourable payment terms from the parent company, reducing reliance on external borrowings. The total debt shows the lease liability of the company as on March 31, 2021. In the absence of external borrowings, the debt protection metrics remained comfortable with an interest coverage of 12 times and TD/OPBDITA of 0.5 times in FY2021.

Credit challenges

Moderate scale of operations and modest profit margins – The company's scale of operations remained moderate, with revenues of Rs. 202.7 crore in FY2021, down 8% on YoY basis. Nonetheless, the revenue is expected to grow by ~10-15% in FY2022, backed by an improved order book, which stood at ~Rs. 312 crore as of December 2020 compared to Rs. 146.5 crore as of September 2020. The profit margins continue to remain modest as a large portion of the company's revenue are from trading/supply of elevators and components, which are sourced from the parent group entities. Nevertheless, with increasing orders for installation and higher share of annual maintenance revenues, the company's operating profit margin improved to 4.5% in FY2020 and 4.9% in FY2021 against 1.9% in FY2019.

Stretched debtors resulting in high working capital requirement; favourable payments terms with suppliers provide comfort – The company's operations are working capital intensive due to the stretched receivable days reflected in the 134 debtor days in FY2021. ICRA notes that debtors of Rs. 13.3 crore (24% of the total debtors) were outstanding for more than six months as on September 30, 2021. However, the net working capital intensity measured as net working capital/operating income was negative during the period under review due to the elongated credit period received from the parent for the purchase of lifts and advances from customers.

Competition with established and unorganised players – TJEIPL faces competition from established players such as Schindler India Private Limited, Otis Elevator Company India Limited and Mitsubishi Elevator India Private Limited. India is the world's second-largest market for elevators and escalators after China. Unorganised players also operate in the lift installation and maintenance businesses.

Liquidity position: Strong

The company's liquidity is strong reflected in the cash and liquid investments of ~Rs. 51 crore as on December 31, 2021. Also, the utilisation of fund-based limits has remained nil of the total sanctioned limit of Rs. 5 crore over the past 12 months due to extended credit from the parent as well as advances from customers. In addition, the company does not have any major capex plans nor any repayment obligations over the medium term.

Rating sensitivities

Positive factors – ICRA may upgrade the ratings if the company is able to demonstrate stable revenue growth and improvement in profit margin while maintaining healthy liquidity and debt coverage metrics.

Negative factors – ICRA may downgrade the ratings if there is a decline in the profit margin. Any pressure on liquidity due to changes in payment terms with the parent or elongation of receivables may also affect the ratings.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology
Parent/Group Support	ICRA factors in the operational support and financial flexibility enjoyed by TJEIPL as a joint venture subsidiary of TEBSC
Consolidation/Standalone	The ratings are based on the standalone financial profile of the company.

About the company

TEBSC established its 100% subsidiary, Toshiba Elevator India, for its India operations in July 2011. JLPL bought a 49% stake in the company in October 2012 and the company was renamed TJEIPL. The company supplies elevators, escalators and moving walkways manufactured by TEBSC to customers in India and undertakes the installation and maintenance work for those elevators and escalators.

Key financial indicators (audited)

	FY2020	FY2021
Operating Income (Rs. crore)	221.1	202.7
PAT (Rs. crore)	4.5	11.0
OPBDIT/OI (%)	4.5%	4.9%
PAT/OI (%)	2.0%	5.4%
Total Outside Liabilities/Tangible Net Worth (times)	9.0	6.5
Total Debt/OPBDIT (times)	0.2	0.5
Interest Coverage (times)	18.0	12.0

*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

	Instrument	Current Rating (FY2022)				Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding as on Mar 31, 2021 (Rs. crore)	Date & Rating on Feb 09, 2022	Date & Rating in FY2021 Dec 28, 2020	Date & Rating in FY2020	Date & Rating in FY2019
1	Fund-based Limit	Long Term	-	-	-	[ICRA]BBB (Stable)	-	-
2	Fund-based Limit	Long Term	-	-	-	[ICRA]A3+	-	-
3	Non-Fund based limit	Long term/ Short Term	110.00	-	[ICRA]BBB (Stable)/ [ICRA]A3+	-	-	-
4	Interchangeable	Short term	-	-	-	[ICRA]A3+	-	-
5	Non-Fund based limit	Short term	-	-	-	[ICRA]A3+	-	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
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 and 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: www.icra.in

Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (RS Crore)	Current Rating and Outlook
NA	Bank Guarantees	-	-	-	110.00	[ICRA]BBB (Stable)/ [ICRA]A3+

Source: TJEIPL

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure-2: List of entities considered for consolidated analysis: Not Applicable

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