

January 9, 2025

Alstom Transport India Limited: Ratings reaffirmed; outlook revised to Stable

Summary of rating action

Instrument [^]	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term/Short term - Fund based	600.0	600.0	[ICRA]A+(Stable)/ [ICRA]A1+; reaffirmed; outlook revised to Stable from Negative
Long term - Non-fund based	7,320.0	7,320.0	[ICRA]A+(Stable); reaffirmed; outlook revised to Stable from Negative
Long term/Short term - Unallocated	680.0	680.0	[ICRA]A+(Stable)/ [ICRA]A1+; reaffirmed; outlook revised to Stable from Negative
Total	8,600.0	8,600.0	

[^] Instrument details are provided in Annexure-I

Rationale

The outlook on Alstom Transport India Limited's (ATIL) long-term rating has been revised to Stable from Negative considering an improvement in the credit profile of the parent entity, Alstom SA (rated Baa3 (Stable)/P-3 by Moody's Investors Service), along with ATIL's sustained healthy scale of operations and a comfortable capital structure.

The reaffirmation of the ratings favourably factors in the strong support from the Alstom Group that provides continued operational synergies through steady order inflows from group entities (both within and outside India) in addition to funding support. Further, ATIL, post amalgamation, benefits from the increased scale of operations. ATIL's revenues increased ~14% YoY to Rs. 11,613.6 crore in FY2024 from Rs. 10,192.2 crore in FY2023, led by a steady execution of orders. Moreover, ATIL's substantial order book as on October 31, 2024, provides revenue visibility over the medium term (execution timeline of 3-4 years on average). The order book includes supply/installation of rolling stock and associated infrastructure components/services orders from the Alstom Group companies as well as key metro rail projects and electric locomotives in India. Further, the company's financial profile remains comfortable with low reliance on external debt, regular fund infusion by the parent and an adequate liquidity profile (given the steady accruals).

The ratings, however, are constrained by ATIL's (standalone) moderate operating profit margins on account of the historical fixed-price low-margin contracts. Pricing flexibility is also limited to an extent owing to intense competition in the industry. However, the operating profit margins improved in FY2024 on the back of increased revenues from its high-margin contracts. The company expects to sequentially improve its operating margin with the execution and addition of new orders with better margins, synergy realisation and completion of the historical low-margin contracts. The ratings are further constrained by high execution risk as railway projects are prone to delays (due to high station period/delays in approvals/readiness of associated infrastructure and related issues typical to such projects), exposing the company to the risk of cost escalations which can exert pressure on its profit margins.

The Stable outlook reflects ICRA's expectation that ATIL will continue to benefit from the support extended by the Alstom Group, a sizeable outstanding order book and a steady future business outlook for the industry.

Key rating drivers and their description

Credit strengths

Strong parentage – ATIL benefits from its strong parentage - Alstom SA - which is a leading global rail transport infrastructure company and has provided continued operational synergies and funding support. This is demonstrated by the equity infusion in the past, as and when needed, as well as a steady order inflow from the Alstom Group companies (both within and outside India).

Healthy order book position – ATIL had a healthy unexecuted order book as on October 31, 2024, which provides revenue visibility over the medium term (execution timeline of 3-4 years on an average). The order book includes the supply/installation of rolling stock and associated infrastructure components/services orders from global Alstom Group companies as well as key metro rail projects in India (Mumbai, Delhi, Chennai, Indore, Bhopal, etc).

Comfortable capital structure – The gearing remained comfortable at 0.2 times as on March 31, 2024, with continued capital support from the parent and increasing revenue and profitability in recent years. The improved order execution and timely payments also limit the reliance on external debt.

Credit challenges

Competitive nature of industry – The industry is highly competitive and has numerous established players like BEML Limited, Titagarh Wagons, Hyundai Rotem, Mitsubishi Electric Siemens AG and Ansaldo STS. This limits the pricing flexibility of the industry participants, including ATIL. However, the company benefits to an extent on account of its strong parentage, steady inflow of internal orders, technical and execution expertise and diverse product/service offerings.

Moderate profit margins; exposed to executional delays – The metro rail projects have long gestation periods and are prone to delays, exposing the company to the risk of cost escalations. This, coupled with historical fixed-price low-margin contracts, higher overheads and competitive pressures, has resulted in moderate profit margins. However, the operating profit margins improved in FY2024 on the back of increasing revenues from the high-margin contracts. The company expects to sequentially improve its operating margins with the execution and addition of new orders with better margins, synergy realisation and completion of the historical low-margin contracts. Further, ATIL, post amalgamation, has benefited from the increased scale of operations.

Liquidity position: Adequate

The liquidity position is adequate, supported by funding support from the parent in the form of equity or unsecured loans, as seen in the past, a steady execution of the order book and stable profitability in the last two years. The company's outstanding external debt was limited as on March 31, 2024. Steady order inflow and execution and a timely receipt of payments are expected to limit the reliance on external debt.

Rating sensitivities

Positive factors – The ratings could be upgraded if there is improvement in the credit profile of Alstom SA while the company maintains its scale of operations along with sustained improvement in profit margins, debt coverage indicators and liquidity position.

Negative factors – Pressure on the ratings could arise if there is a sustained pressure on the revenue and profitability due to slower execution of the order book or due to lower order inflow, resulting in weakened debt coverage indicators. A deterioration in the credit profile of parent Alstom SA, and/or weakening of the linkage with Alstom SA could be the other negative triggers.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Parent/Group Company: ATIL, which is owned by Alstom Netherlands B.V. (formerly known as Alstom Transport Holdings B.V., Netherlands, a 100% subsidiary of Alstom SA); ICRA expects Alstom SA to be willing to extend financial support to the company, should there be a need in case of cash flow mismatches
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of ATIL

About the company

ATIL was set up in 2011 by the Alstom Group to manufacture rolling stock for the Indian metro market. As per the NCLT approval for the scheme of amalgamation in August 2023, Alstom Rail Transportation India Private Limited (ARTIPL; erstwhile Bombardier Transportation India Private Limited or BTIPL), Alstom Systems India Private Limited (ASIPL) and Alstom Manufacturing India Private Limited (AMIPL) have been amalgamated with ATIL (effective date April 1, 2021). ATIL has an established presence in the rail transport segment {rolling stock (urban & mainline), signalling & digital mobility, systems and infrastructure} with support from the Alstom Group.

ATIL has six manufacturing locations - Sri City (urban rolling stock), Savli (rolling stock & bogies), Coimbatore (traction & equipment), Maneja (propulsion equipment), Kolkata (car body shells) and Madhepura (mainline rolling stock, or electric locomotives). It also has two engineering centres, one each in Bengaluru and Hyderabad.

Madhepura Electric Locomotives Private Limited (MELPL) is a 74:26 joint venture between ATIL and the Ministry of Railways, Government of India. MELPL was set up for the purpose of manufacturing and supplying 800 electric locomotives to the Indian Railways over a supply period of 11 years, spanning FY2018 to FY2028. The project involved the setting up of a locomotive factory and a township at Madhepura, Bihar, and two maintenance depots.

Key financial indicators (audited)

Consolidated	FY2023	FY2024
Operating income	10,192.2	11,613.6
PAT	417.8	388.3
OPBDITA/OI	8.8%	9.8%
PAT/OI	4.1%	3.3%
Total outside liabilities/Tangible net worth (times)	2.3	2.3
Total debt/OPBDITA (times)	0.5	0.5
Interest coverage (times)	9.9	12.6

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore

Note: All financial ratios as per ICRA's calculation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current (FY2025)		Chronology of rating history for the past 3 years						
		Amount rated (Rs. crore)	FY2025		FY2024		FY2023		FY2022	
			Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund based	Long term/Short term	600.00	Jan 9, 2024	[ICRA]A+ (Stable)/[ICRA]A1+	Feb 13, 2024	[ICRA]A+ (Negative)/[ICRA]A1+	-	-	-	-
Non-fund based	Long term	7,320.00	Jan 9, 2024	[ICRA]A+ (Stable)	Feb 13, 2024	[ICRA]A+ (Negative)	Jan 24, 2023	[ICRA]A+&	Mar 31, 2022	[ICRA]A+ (CE) (Stable)
			-	-	-	-	Apr 26, 2022	[ICRA]A+ (CE) (Stable)	Jul 22, 2021	[ICRA]A+ (CE) (Stable)
Unallocated limits	Long term/Short term	680.00	Jan 9, 2024	[ICRA]A+ (Stable)/[ICRA]A1+	Feb 13, 2024	[ICRA]A+ (Negative)/[ICRA]A1+	-	-	-	-
Non-fund based/Fund based	Long term/Short term	-	-	-	-	-	Jan 24, 2023	[ICRA]A+&/[ICRA]A1+&	Mar 31, 2022	[ICRA]A+ (CE) (Stable)/[ICRA]A1+ (CE)
			-	-	-	-	Apr 26, 2022	[ICRA]A+ (CE) (Stable)/[ICRA]A1+ (CE)	Jul 22, 2021	[ICRA]A+ (CE) (Stable)/[ICRA]A1+ (CE)
Non-fund based	Long term	-	-	-	-	-	Apr 26, 2022	[ICRA]A+ &	Mar 31, 2022	Provisional [ICRA]A+ (CE) (Stable)

Note - Amount in Rs. crore; &: Rating watch with developing implications

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term/Short term – Fund-based	Simple
Long term - Non-fund based	Very Simple
Long term/Short term - Unallocated	Not applicable

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	-	-	-	600.0	[ICRA]A+ (Stable)/[ICRA]A1+
NA	Non-fund based	-	-	-	7,320.0	[ICRA]A+ (Stable)
NA	Unallocated	-	-	-	680.0	[ICRA]A+ (Stable)/[ICRA]A1+

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	ATIL ownership	Consolidation approach
Alstom Transport India Limited	100.00% (rated entity)	Full consolidation
Madhepura Electric Locomotives Private Limited	74.0%	Full consolidation

Source: Company

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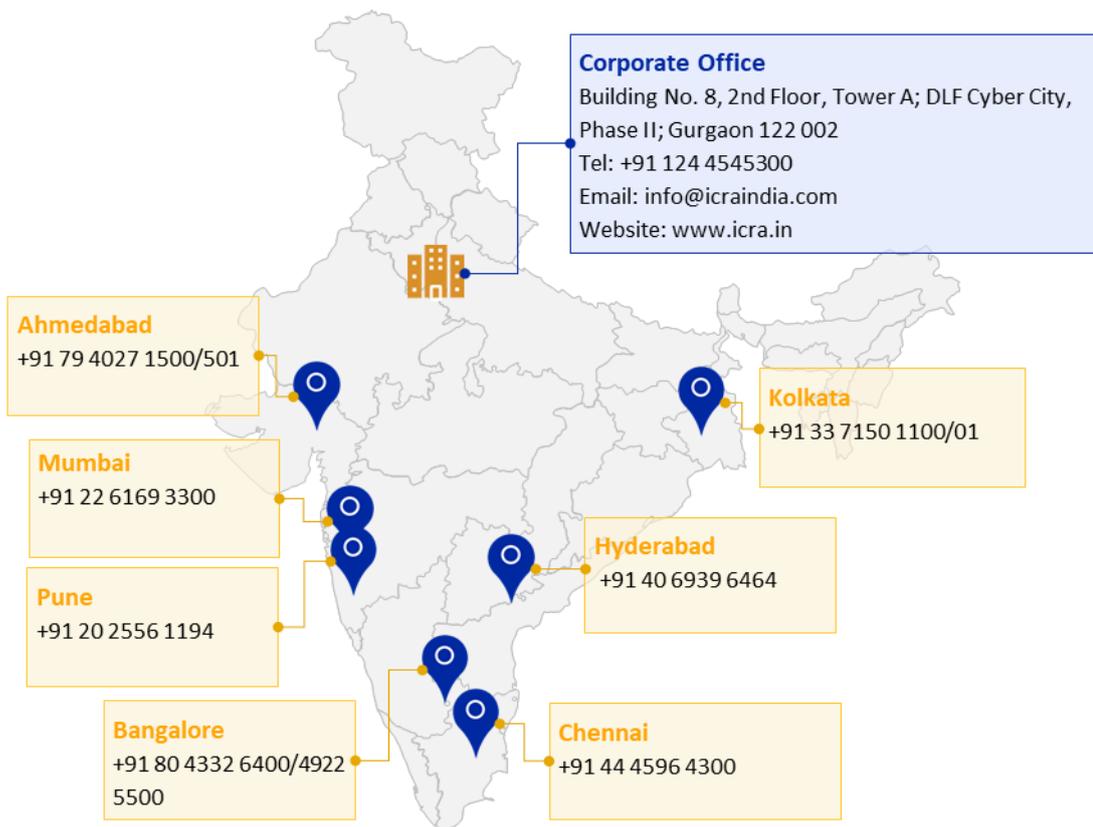
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