March 30, 2026

Madhepura Electric Locomotive Private Limited: [ICRA]AA (Stable)/[ICRA]A1+; assigned

Summary of rating action

Instrument*	Current rated amount (Rs. crore)	Rating action
Long term - Non-fund based	100.00	[ICRA]AA (Stable); assigned
Long term/Short term - Unallocated	40.00	[ICRA]AA (Stable)/[ICRA]A1+; assigned
Total	**140.00**	

**Instrument details are provided in Annexure I*

Rationale

The assigned ratings for Madhepura Electric Locomotive Private Limited (MELPL) factor in an assured offtake of its locomotives under a procurement-cum-maintenance agreement (PCMA) with the Ministry of Railways (MoR). There has been a steady improvement in MELPL's operational performance over the years with the operating income increasing to Rs. 3,116 crore in FY2025 from Rs. 1,675 crore in FY2021, supported by a consistent supply of locomotives to the MoR over the years. In 9M FY2026, the revenues and margins continued to strengthen, backed by cost efficiencies and the recognition of deferred revenue. As of December 2025, MELPL had supplied 580 locomotives of the total order of 800.

The ratings also draw comfort from MELPL's robust financial risk profile, marked by healthy cash flow from operations, strong OPM (21.6% in FY2025 & 39.1% in 9M FY2026), nil debt repayment obligation and robust liquidity supported by free cash and cash equivalent of Rs. 1,448.0 crore as on September 30, 2025. The company also has a maintenance contract for the locomotives supplied to the MoR, which is expected to generate steady cash flows over the medium term and further improve with the increase in the number of locomotives under maintenance.

The ratings, however, remains constrained by execution risk, including delays in project timelines and raw material price volatility to the extent not covered under the contract price adjustment (CPA) in the PCMA. MELPL is expected to make significant dividend payouts to its shareholders; however, its liquidity position is likely to remain strong even after these payouts because of the healthy cash flow and the company's overall financial profile.

The Stable outlook reflects ICRA's expectation that MELPL will maintain its operating performance, backed by a sizeable unexecuted order book for locomotive supply and maintenance, while sustaining debt protection metrics commensurate with the existing rating.

Key rating drivers and their description

Credit strengths

Robust financial risk profile - The company maintains a comfortable capital structure, reflected in its low total debt/TNW of 0.01x as on March 31, 2025, with no external borrowings and debt limited to lease liabilities. Further, the debt protection metrics remain robust owing to the nil debt levels. The revenues have increased steadily over the years, supported by a sustained scale-up in execution, while the operating margins have remained healthy. The liquidity remains strong on the back of cash and liquid investments of Rs. 1,170.6 crore as on March 31, 2025. The working capital cycle is negative, driven by immediate payments from the Indian Railways and low credit days that support consistent operating cash flows.

Healthy order book position in the near to medium term – MELPL has a healthy pending order book of 220 locomotives as of 9M FY2026, to be executed by FY2028 under its long-term contract with the Indian Railways. In addition, the company has

maintenance contracts for around 500 locomotives. This base is expected to increase, going forward, thereby providing revenue visibility. MELPL has demonstrated a strong execution track record, consistently supplying around 100 locomotives annually in line with the contractual timelines, and is therefore expected to complete the remaining deliveries as per the schedule. Further, additional orders are expected to be received over the medium term, which is likely to strengthen the order book visibility.

Part of Alstom Group – MELPL is a part of the Alstom Group, one of the major players in rail transport equipment, rolling stock, systems, services and signalling across urban, suburban, regional and mainline rail segments worldwide. Alstom has a strong global presence, deep technological expertise and a long track record of executing large and technologically complex rail projects for public sector and sovereign clients.

Credit challenges

Profitability remains exposed to volatility in raw material prices - As per the contract with the MoR, MELPL has a fixed sale price for locomotives, although certain CPA mechanisms exist for variations in key raw materials. Historically, MELPL has been able to effectively manage raw material costs, with no significant volatility observed in the past. However, given the limited pass-through under the agreement, any sharp increase in raw material prices could expose the profitability to margin pressures.

Competitive nature of the 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. However, the company benefits to an extent on account of being a part of the Alstom group, a healthy order book position in the near to medium term and technical and execution expertise.

Liquidity position: Strong

The liquidity position is strong, supported by a steady execution of the order book, healthy cash flow from the operations, nil debt repayment obligations and no major capex plans. Despite the high dividend paid, the company has free cash and bank balance of Rs. 1,448.0 crore as on September 30, 2025, and the liquidity is likely to remain strong, going forward. The company does not have any fund based limits, while the non-fund-based limit of Rs. 100 crore is fully utilised towards performance guarantee to the Indian Railways.

Rating sensitivities

Positive factors – The ratings could be upgraded if company significantly increases its scale in the medium to long term while sustaining the margins, debt protection metrics and liquidity position.

Negative factors – Pressure on the ratings could arise if there is decline in revenue and/or earnings significantly, impacting the liquidity position and credit metrics.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

MELPL is a 74:26 JV between Alstom Transport India Limited and the Ministry of Railways, GoI (MOR). The company was incorporated with the purpose of supplying 800 locomotives to the Indian Railways. As per the contract, MELPL will supply 9000-KW (12,000HP) IGBT (insulated-gate bipolar transistor) based 3-phase drive electric locomotives having twin identical Bo-Bo configuration over a supply period of 11 years spanning FY2018-FY2028.

MELPL also has maintenance contract for the first 500 locomotives, and the number is expected to increase, going further. The company has set up a locomotive factory and township at Madhepura, Bihar, and three maintenance depots at Saharanpur (Uttar Pradesh), Nagpur (Maharashtra) and Sabarmati (Gujarat).

Key financial indicators (audited)

MELPL (Standalone)	FY2024	FY2025	9M FY2026*
Operating income	2971.1	3116.2	3283.2
PAT	281.0	460.0	933.0
OPBDITA/OI	16.3%	21.6%	39.1%
PAT/OI	9.5%	14.8%	28.4%
Total outside liabilities/Tangible net worth (times)	1.7	2.4	-
Total debt/OPBDIT (times)	0.0	0.0	-
Interest coverage (times)	538.5	659.1	6758.7

*Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore, PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; *Results*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current rating (FY2026)			Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	March 30, 2026	Date	Rating	Date	Rating	Date	Rating
Non-fund based	Long term	100.00	[ICRA]AA (Stable)	-	-	-	-	-	-
Unallocated	Long term/Short term	40.00	[ICRA]AA (Stable)/[ICRA]A1+	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term - Non-fund based	Simple
Long term/Short term-Unallocated limits	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	**Non-fund based**	NA	NA	NA	100.00	[ICRA]AA (Stable)
NA	**Unallocated**	NA	NA	NA	40.00	[ICRA]AA (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 – Not Applicable

ANALYST CONTACTS

Girishkumar Kashiram Kadam
+91 22 6114 3406
girishkumar@icraindia.com

Prashant Vasisht
+91 124 4545 322
prashant.vasisht@icraindia.com

Kushal Kumar
+91 40 6939 6408
kushal.kumar@icraindia.com

Aviraj Patole
+91 22 6169 3353
aviraj.patole@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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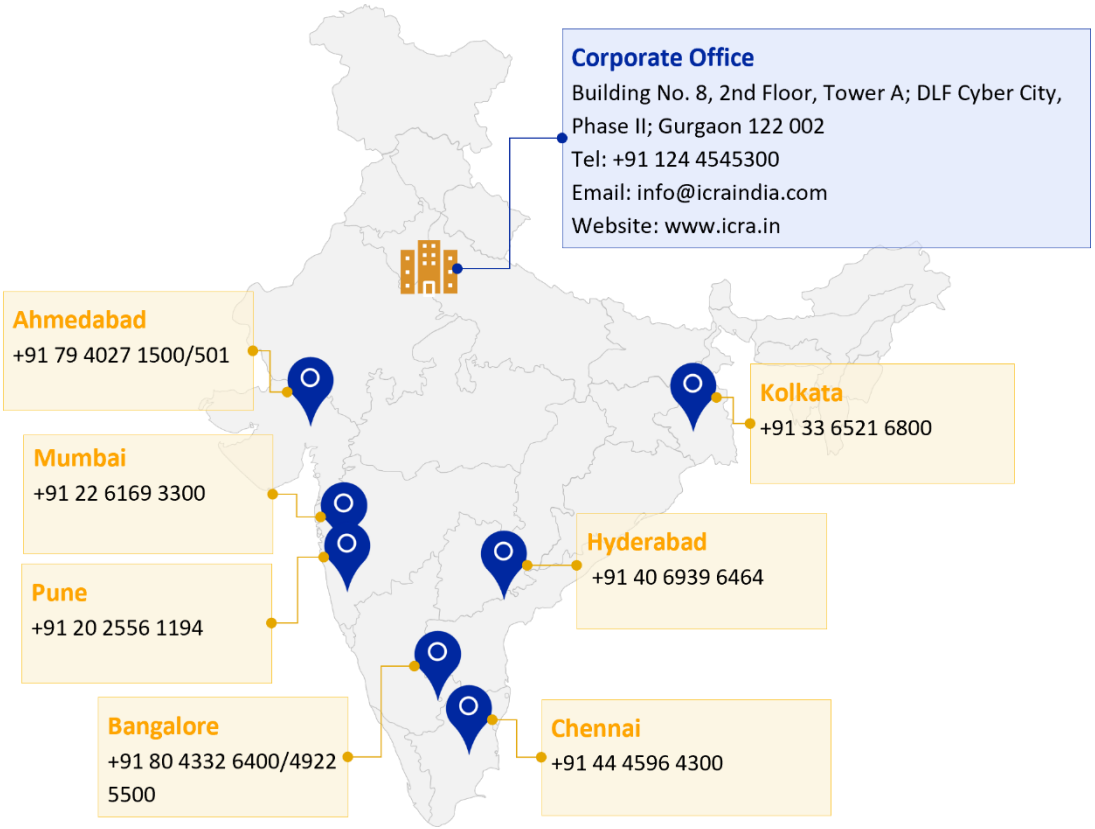
ICRA Limited

Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches



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