

January 24, 2023<sup>(Revised)</sup>

## Alstom Transport India Limited: [ICRA]A+(CE) (Stable)/[ICRA]A1+(CE) withdrawn and simultaneously assigned [ICRA]A+ rating watch with developing implications / [ICRA]A1+ (rating watch with developing implications)

### Summary of rating action

Instrument*	Previous rated amount (Rs. Crore)	Current Rated amount (Rs. crore)	Rating action
Non-fund based/fund based - Working capital facilities	801.0	801.0	[ICRA]A+(CE) (Stable)/[ICRA]A1+(CE) withdrawn and [ICRA]A+ rating watch with developing implications/[ICRA]A1+ rating watch with developing implications assigned simultaneously
Non-fund-based facilities – LC/BG	3000.0	3000.0	[ICRA]A+(CE) (Stable) withdrawn and [ICRA]A+ rating watch with developing implications assigned simultaneously
<b>Total</b>	<b>3,801.0</b>	<b>3,801.0</b>	

\*Instrument details are provided in Annexure-1

### Rationale

ICRA has withdrawn its rating of [ICRA]A+(CE) (Stable)/[ICRA]A1+(CE) for the bank facilities of Alstom Transport India Limited (ATIL) and has simultaneously assigned a rating of [ICRA]A+; rating watch with developing implications / [ICRA]A1+; rating watch with developing implications, for its bank loan facilities. The company has submitted a scheme of arrangement for the merger of Alstom Rail Transportation India Private Limited (ARTIPL; erstwhile Bombardier Transportation India Private Limited or BTIPL), ASIPL (Alstom Systems India Private Limited) and AMIPL (Alstom Manufacturing India Private Limited) with itself. Given that the impact of the merger on the credit profile of ATIL cannot be determined at present, the assigned ratings have been placed on 'Watch with Developing Implications'. ICRA will continue to monitor the developments in this regard.

The assignment of the [ICRA]A+/[ICRA]A1+ rating follows the Guidance Note and the FAQ document issued by the Reserve Bank of India (RBI) to the credit rating agencies on April 22, 2022, and July 26, 2022, respectively, guiding that if the explicit support in the form of corporate guarantee does not meet all attributes of the strongest form of support, then benefit of the said corporate guarantee is not to be considered for credit enhancement. Among other considerations, the [ICRA]A+(CE)/[ICRA]A1+(CE) rating drew comfort from the corporate guarantee provided by Alstom Holdings, France (a 100% subsidiary of Alstom SA1) for the bank facilities of ATIL.

In the present rating exercise, upon a review of the strength of the linkages between Alstom Holdings (the guarantor) and ATIL, marked by the sufficiently long track record of the former extending financial support to ATIL in its time of need, the rating was assessed as [ICRA]A+ / [ICRA]A1+, higher than the earlier disclosed unsupported rating of [ICRA]A- / [ICRA]A2+. Thus, the rating for ATIL has been arrived at by following the analytical steps given below:

1. An assessment of the credit profile of ATIL standalone.
2. The final rating for ATIL is arrived at by suitably notching up the standalone rating on the basis of implicit support from the Alstom SA's<sup>1</sup> credit profile (the ultimate parent).

The approach is described in fuller details in ICRA's methodology viz., [Rating Approach - Implicit Support from Parent or Group](#)

<sup>1</sup> Rated Baa2(Negative)/P-2 by Moody's Investors Service

The assigned ratings favourably factor in the strong support of the Alstom Group that provides continued operational synergies with a steady order inflow from Alstom group entities (both within and outside India) in addition to funding support. ATIL's revenues significantly increased YoY by ~32% in FY2022, led by a steady execution of orders received from its group entities. Moreover, ATIL's healthy order book of ~ Rs. 20,680 crore as on December 31, 2022 provides revenue visibility for the medium term (execution timeline of 3-4 years on an 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 in India. Further, the company's financial profile remains comfortable with low reliance on external debt, regular fund infusion by Alstom Holdings and an adequate liquidity profile (given the steady accruals and adequate cushion available from its undrawn working capital limits).

However, the ratings are constrained by ATIL's modest profit margins on the back of under-absorption of fixed overhead costs, delays in the execution of some large projects and limited pricing flexibility owing to intense competition in the industry. Though the profit margins improved in FY2022 on the back of increasing revenues from its high-margin businesses (other than rolling stock) such as digital solutions, signalling, R&D related work etc, the ability of the company to maintain these margins remains to be seen. The ratings are further constrained by high execution risk as the metro rail projects are prone to delays (due to high gestation period/delays in approvals/readiness of associated infrastructure and related issues typically seen in such projects), exposing the company to the risk of cost escalations which can exert pressure on its profit margins.

## 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). Also, the credit enhancement in the form of corporate guarantee by Alstom Holding (a 100% subsidiary of Alstom SA) for ATIL's bank facilities reinforces Alstom SA's commitment to support the company's operations.

**Healthy order book position** – ATIL has a healthy unexecuted order book of around Rs. 20,680 crore as of December 2022, which is 4.2 times the OI in FY2022; providing good revenue visibility over the medium term. The order book includes the supply/installation of rolling stock and associated infrastructure components/services orders from the global Alstom Group companies as well as key metro rail projects in India (Mumbai, Delhi, Chennai, Indore, Bhopal Pune, Kochi, etc). ATIL has recently bagged three major orders of over Rs. 6,700 crore (including the maintenance part) which has resulted in a significant increase in order backlog in the current fiscal.

**Comfortable capital structure:** With continued capital support by the parent coupled with increasing revenue and profitability in recent years, the gearing remains adequate at 0.4 times as on March 31, 2022. Improved order execution and timely payments have reduced the reliance on external debt (nil as on December 31, 2022).

### Credit challenges

**Competitive nature of industry** – The industry is highly competitive and has numerous established players like BEM Limited, CRRC Nanjing (China), 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 offering.

**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 higher overheads and competitive pressures, has led to modest profit margins. However, ATIL's operations have turned profitable over the past three fiscals, led by steady

order execution and increasing revenue share from high-margin business segments, resulting in greater absorption of fixed overheads. Going forward, the improvement in margins will be driven by economies of scale, but will remain contingent on the timely execution of the existing projects and inherent profitability of the executed orders.

### Liquidity position: Adequate

The liquidity position is adequate, supported by funding support from the parent in the form of equity or unsecured loans over the past 6-7 years and steady execution of the order book and stable profitability in the last three years. The outstanding external debt of the company was nil as on December 31, 2022. Moreover, the average cushion in the fund-based working capital limits was over Rs. 300 crore in the 12 months ended September 2022. The reliance on external debt is expected to remain low on expectations of steady order inflows and execution coupled with timely payments.

### Rating sensitivities

**Positive factors** – ICRA could upgrade the ratings if there is a favourable resolution of the rating watch with developing implications. Other favourable factors include a healthy order inflow and timely execution that would lead to a sustained improvement in the company’s scale of operations & profit margins, and/or improvement in the credit profile of Alstom SA.

**Negative factors** – Unfavorable resolution of the rating watch with developing implications or a sustained pressure on revenues, inability to improve profitability due to slower execution of the order book/lower order inflow could be the negative triggers. Further, pressure on the ratings could arise if there is weakening of linkage with Alstom SA and/or deterioration in the credit profile of the latter.

### Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Rating approach - Implicit support from parent or group</a> <a href="#">Policy on withdrawal of credit ratings</a>
Parent/Group Support	Parent/Group Company: ATIL, which is owned by Alstom Transport Holdings BV, 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	Standalone

### About the company

ATIL was set up in 2011 by the Alstom Group to manufacture rolling stock for the Indian metro market. The company’s manufacturing facilities are in SriCity, Andhra Pradesh, and Coimbatore, Tamil Nadu. ATIL has an established presence in the rail transport segment with the support from the Alstom Group.

### Key financial indicators

ATIL Standalone	FY2021 (Audited)	FY2022 (Audited)
Operating income (Rs. crore)	3,757.9	4,941.5
PAT (Rs. Crore)	205.2	233.3
OPBDIT/OI (%)	3.8%	5.6%
PAT/OI (%)	5.5%	4.7%
Total outside liabilities/Tangible net worth (times)	2.0	1.5
Total debt/OPBDIT (times)	4.6	3.0
Interest coverage (times)	3.5	4.9

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Note: Amount in Rs. crore; all calculations are as per ICRA Research

Source: Annual Reports and ICRA Research

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

### Rating history for past three years

Instrument	Type	Current rating (FY2023)				Chronology of rating history for the past 3 years				
		Amount rated (Rs. crore)	Amount outstanding as on December 31, 2022 (Rs. crore)	Date & rating in FY2023		Date & rating in FY2022		Date & rating in FY2021	Date & rating in FY2020	
				Jan 24, 2023	Apr 26, 2022	Mar 31, 2022	Jul 22, 2021	Dec 29, 2020	Jun 26, 2019	
1	Non-fund based/fund based – working capital limit	Long-term/Short-term	801	-	[ICRA]A+(CE) (Stable)/[ICRA]A1+ withdrawn and [ICRA]A+; rating watch with developing implications / [ICRA]A1+; rating watch with developing implications assigned simultaneously	[ICRA]A + (CE) (Stable) / [ICRA] A1+(CE)	[ICRA]A+(CE) (Stable)/[ICR A] A1+(CE)	[ICRA]A+(CE) (Stable)/[ICR A] A1+(CE)	[ICRA]A+(CE) (Stable)/[ICR A] A1+(CE)	[ICRA]A+ (SO) (Stable)/ [ICRA]A1+ (SO)
2	Non-fund based – LC/BG	Long-term	3000.0	-	[ICRA]A+(CE) (Stable) withdrawn and [ICRA]A+; rating watch with developing implications assigned simultaneously	[ICRA]A + (CE) (Stable)	[ICRA]A+(CE) (Stable)	[ICRA]A+(CE) (Stable)	[ICRA]A+(CE) (Stable)	[ICRA]A+ (SO) (Stable)
3	Non-fund based – LC/BG	Long-term	-	-	-	-	Provisional [ICRA]A+(CE) (Stable)	-	-	-

### Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term/short-term – Fund based working capital	Simple
Long-term/short-term – Non-fund based working capital	Very Simple
Long-term/non-fund based LC/BG	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, 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-1: Instrument details

ISIN No.	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (RS Crore)	Current Rating and Outlook
NA	Non-fund based/fund based – Working capital limit	-	-	-	801.0	[ICRA]A+(CE) (Stable)/[ICRA]A1+ withdrawn and [ICRA]A+; rating watch with developing implications / [ICRA]A1+; rating watch with developing implications assigned simultaneously
NA	Non-fund-based limits – LC/BG	-	-	-	3000.0	[ICRA]A+(CE) (Stable) withdrawn and [ICRA]A+; rating watch with developing implications assigned simultaneously

Source: Company

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

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

### Corrigendum:

Document dated January 24, 2023, has been corrected with revision as detailed below:

- Rationale (Page 1, Para 3, Line 1):** Changed from “Also, ICRA has changed the rating approach and the rating for ATIL has been arrived at by following the analytical steps” to “In the present rating exercise, upon a review of the strength of the linkages between Alstom Holdings (the guarantor) and ATIL, marked by the sufficiently long track record of the former extending financial support to ATIL in its time of need, the rating was assessed as [ICRA]A+ / [ICRA]A1+, higher than the earlier disclosed unsupported rating of [ICRA]A- / [ICRA]A2+. Thus, the rating for ATIL has been arrived at by following the analytical steps”.

## ANALYST CONTACTS

**Sabyasachi Majumdar**  
+91 124 4545304  
[sabyasachi@icraindia.com](mailto:sabyasachi@icraindia.com)

**Siddhartha Kaushik**  
+91 124 4545323  
[siddhartha.kaushik@icraindia.com](mailto:siddhartha.kaushik@icraindia.com)

**Girishkumar Kadam**  
+91 22 61143441  
[girishkumar@icraindia.com](mailto:girishkumar@icraindia.com)

**Peeush Middha**  
+91 124 4545330  
[peeush.middha@icraindia.com](mailto:peeush.middha@icraindia.com)

## RELATIONSHIP CONTACT

**L. Shivakumar**  
+91 22 6114 3406  
[shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**  
Tel: +91 124 4545 860  
[communications@icraindia.com](mailto:communications@icraindia.com)

## Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)  
[info@icraindia.com](mailto:info@icraindia.com)

## About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit [www.icra.in](http://www.icra.in)

## ICRA Limited



### Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



### Branches



© Copyright, 2023 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website [www.icra.in](http://www.icra.in) or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.