

February 13, 2024

Alstom Transport India Limited: Ratings reaffirmed; removed from rating watch with developing implications; Negative outlook assigned; rated amount enhanced;

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund-based limits	-	600.0	[ICRA]A+(Negative)/[ICRA]A1+; assigned
Non-fund based limits	3,000.0	7,320.0	[ICRA]A+(Negative); reaffirmed and removed from Rating Watch with Developing Implications; Negative outlook assigned; rating assigned for enhanced amount
Unallocated limits	-	680.0	[ICRA]A+(Negative)/[ICRA]A1+; assigned
Non-fund based/Fund-based limits	801.0	0.0	-
Total	3,801.0	8,600.0	

*Instrument details are provided in Annexure I

Rationale

ICRA had earlier placed the ratings of Alstom Transport India Limited (ATIL) on Rating Watch with Developing Implications after a scheme of arrangement was announced for the amalgamation of Alstom Rail Transportation India Private Limited (ARTIPL; erstwhile Bombardier Transportation India Private Limited or BTIPL), Alstom Systems India Private Limited (AS IPL) and AMIPL Alstom Manufacturing India Private Limited (AMIPL) with itself.

ICRA has now removed the Rating Watch with Developing Implications, following the National Company Law Tribunal's (NCLT) approval for the amalgamation scheme in August 2023 and greater clarity on the integration plans. ICRA has also assigned a Negative outlook to the company's long-term rating, considering the moderation in the credit profile of the parent entity, Alstom SA (rated Baa3 (Negative)/P-3 by Moody's Investors Service).

The reaffirmation of the ratings favourably factors 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. Further, ATIL, post amalgamation, will benefit from the increased scale of operations. ATIL's revenues increased ~18% YoY to Rs. 10,349.7 crore in FY2023 from Rs. 8,769.4 crore in FY2022, led by a steady execution of orders. Moreover, ATIL's substantial order book as on December 31, 2023, provides revenue visibility over 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 the parent and an adequate liquidity profile (given the steady accruals).

The ratings, however, are constrained by ATIL's moderate operating profit margins on account of the historical fixed-price low-margin contracts. The pricing flexibility is also limited to an extent owing to intense competition in the industry. However, the operating profit margins improved in FY2023 and H1 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 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 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).

Healthy order book position – ATIL has a healthy unexecuted order book as on December 31, 2023, 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 the global Alstom Group companies as well as key metro rail projects in India (Mumbai, Delhi, Chennai, Indore, Bhopal, etc).

Comfortable capital structure - The gearing remains comfortable at 0.1 times as on March 31, 2023, with continued capital support by the parent and increasing revenue and profitability in recent years. The improved order execution and timely payments result in limited 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 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 historical fixed-price low-margin contracts, higher overheads and competitive pressures, has led to moderate profit margins. However, the operating profit margins improved in FY2023 and H1 FY2024 on the back of increasing revenues from its 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 historical low-margin contracts. Further, ATIL, post amalgamation, will benefit 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 in the past, a steady execution of the order book and stable profitability in the last two years. The outstanding external debt of the company was nil as on March 31, 2023. Steady order inflows and execution and the timely receipt of payments are expected to limit the reliance on external debt.

Rating sensitivities

Positive factors – The outlook on the long term rating could be revised to Stable if the credit profile of parent Alstom SA improves while the company maintains a healthy scale of operations and profit margins.

Negative factors – Pressure on the ratings could arise if there is deterioration in the credit profile of Alstom SA and/or the linkage with Alstom SA weakens. Further, a sustained pressure on revenues or inability to improve the profitability due to slower execution of the order book/lower order inflow could be the negative trigger.

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 (AS IPL) 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 the 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 township at Madhepura, Bihar, and two maintenance depots.

Key financial indicators (audited)

ATIL Consolidated	FY2022	FY2023
Operating income	8769.4	10,349.7
PAT	413.4	417.8
OPBDIT/OI	7.5%	8.7%
PAT/OI	4.7%	4.0%
Total outside liabilities/Tangible net worth (times)	3.9	2.1
Total debt/OPBDIT (times)	0.8	0.5
Interest coverage (times)	6.2	10.0

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2024)		Chronology of rating history for the past 3 years						
		Amount rated (Rs. crore)	Amount outstanding (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023			Date & rating in FY2022		Date & rating in FY2021
				Feb 13, 2024	Jan 24, 2023	Apr 26, 2022	Mar 31, 2022	Jul 22, 2021	Dec 29, 2020	
1 Fund-based	Long-term/Short-term	600.0	-	[ICRA]A+ (Negative)/ [ICRA]A1+	-	-	-	-	-	
2 Non-fund based	Long-term	7,320.0	-	[ICRA]A+ (Negative)	[ICRA]A+&	[ICRA]A+(CE) (Stable)	[ICRA]A+(CE) (Stable)	[ICRA]A+(CE) (Stable)	[ICRA]A+(CE) (Stable)	
3 Unallocated limits	Long-term/Short-term	680.0	-	[ICRA]A+ (Negative)/ [ICRA]A1+	-	-	-	-	-	
4 Non-fund based/Fund based	Long-term/Short-term	-	-		[ICRA]A+&/ [ICRA]A1+&	[ICRA]A+(CE) (Stable)/ [ICRA]A1+(CE)	[ICRA]A+(CE) (Stable)/ [ICRA]A1+(CE)	[ICRA]A+(CE) (Stable)/ [ICRA]A1+(CE)	[ICRA]A+(CE) (Stable)/ [ICRA]A1+(CE)	
5 Non-fund based	Long-term	-	-		-	[ICRA]A+&	Provisional [ICRA]A+(CE) (Stable)			

&: Rating watch with developing implications

Complexity level of the rated instruments

Instrument	Complexity Indicator
Fund-based	Simple
Non-fund based	Very Simple
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	Fund-based	NA	NA	NA	600.0	[ICRA]A+(Negative)/ [ICRA]A1+
NA	Non-fund based	NA	NA	NA	7,320.0	[ICRA]A+(Negative)
NA	Unallocated limits	NA	NA	NA	680.0	[ICRA]A+(Negative)/ [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: Annual report FY2023

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