

Alstom Transport India Limited

Instrument	Amount Rs. Crore	Rating	Rating Action September 2016
Non Fund-based Limits	760.00	[ICRA]A+(SO) (Stable)*	Upgraded from [ICRA]A-(SO) (Stable)*
Fund Based Limits (interchangeable with Non Fund Based Limits)	100.00	[ICRA]A+ (SO)(Stable)* / [ICRA]A1+ (SO)*	Reassigned on long term scale from [ICRA]BBB (Stable) / assigned on short term scale
Fund Based and Non-fund Based Limits	390.00	[ICRA]A+ (SO)(Stable)* / [ICRA]A1+ (SO)*	Assigned on both long term and short term scale
Total	1250.00		

* Based on guarantee extended by Alstom Holdings (100% subsidiary of Alstom SA)

ICRA has upgraded the long-term rating to [ICRA]A+(SO) (pronounced ICRA A plus SO) from [ICRA]A-(SO) on Rs. 760 crore of non-fund based limits of Alstom Transport India Limited (ATIL). At the same time, the ratings for Rs. 100 crore of fund based facilities (interchangeable with non fund based facilities) have been re-assigned on the long term ratings scale to [ICRA]A+(SO) (pronounced ICRA A plus SO) from ICRA BBB and assigned on short term scale at [ICRA]A1+(SO) (pronounced as ICRA A one plus SO). The upgrade in guarantee-backed facilities follows the rating upgrade by Moodys on Alstom SA to Baa2 (Stable) from Baa3 (Positive) In June 2016. The re-assignment of ratings to a part of the limit is on account of it being secured by corporate guarantee by the parent, Alstom Holdings.

ICRA has also assigned a rating of ICRA A+(SO) (pronounced ICRA A plus SO) and ICRA A1+(SO) (pronounced as ICRA A one plus SO) to Rs. 390 crore additional fund-based and non-fund based working capital limits.

The SO (Structured Obligation) rated instruments are credit enhanced by unconditional and irrevocable guarantee issued by Alstom Holdings (100% subsidiary of Alstom SA) for due payment of the captioned facilities to the bank. An SO rating is specific to the rated issue, its terms and structure. SO rating do not represent ICRA's opinion on the general credit quality of the issuers concerned.

Rating Rationale

The ratings of ATIL factor in significant technical and financial support from the Alstom group, its strategic importance to the parent company which has further improved on account of transfer of Alstom's power business to GE and acquisition of GE's signalling and electrification business by Alstom and growing importance of Indian operations to Alstom group. ATIL has an order backlog of about Rs 5000 crore as on March 2016 with the addition of new orders from Lucknow Metro Rail and Dedicated Freight Corridor Corporation of India Limited (DFCCIL) during FY2016. Further, Alstom Group has entered into a joint venture with Indian Railways to set up an electric locomotive factory in India for supply of 800 locomotives over 2018-2028. ICRA notes that this new locomotive project shall provide significant upside to ATIL's revenue and profitability over the medium term. This along with strong domestic demand for rail infrastructure in India due to increasing numbers of metro rail projects, dedicated freight corridor project and railways modernization projects provides business visibility for ATIL.

Also, the credit profile of ATIL is enhanced by credit enhancement in the form of corporate guarantee for its limits by its parent Alstom Holding SA.

The rating is, however constrained by the fact that the company, being in early stages of its operations is yet to generate profits and positive operating cash flows. Further, rail infrastructure projects have long gestation period and are frequently prone to time overruns, thus exposing the company to the risk of underutilised capacities. This risk is further accentuated by intense competition in ATIL's core business from other players such as Hyundai-Rotem Company, Bombardier Transportation, Siemens AG, CSR Nanjing Puzhen Rolling Stock Co. Ltd, and local players like BEML Limited, which can impact the order intake and profitability of the company. However, Alstom's global presence in rail infrastructure industry and its growing focus on

transportation segment after hiving of its power business to GE Company (GE) lend some comfort. While the company has contracted certain external borrowings outside of Alstom Group during the year, ICRA draws comfort from the financial support extended by Alstom Group in the form of Rs. 200 crore equity infusion in FY2016.

Going forward, company's ability to augment its order book and ramp up its operations to achieve optimal capacity utilization and arrange funds in a timely manner from Alstom Group companies will remain key rating sensitivities from credit perspective.

About Alstom SA

Alstom, rated Baa2 with Stable outlook by Moody's, is a world leader in transport segment after divesting its power business to GE. During FY2015, Alstom has entered into an agreement with GE proposing sale of former's energy business to GE. The sale concluded in November 2015 wherein the power business of Alstom was sold to GE and both the entities will enter into 50-50 joint ventures for Alstom's grid, renewable energy and nuclear turbine businesses. Further, Alstom's transportation business has been strengthened with the acquisition of GE's signaling operations. Pursuant to this transaction, Alstom is a now a major supplier of global rail systems and high capacity automated metro systems.

About Alstom Transport India Limited

Alstom Transport India Limited (ATIL) was setup in 2011 to manufacture rolling stock for the Indian metro market. The company is wholly owned subsidiary of Alstom Transport Holding BV, Netherlands and has its manufacturing facility located in SriCity, AP and Coimbatore, Tamil Nadu. Alstom has an established presence in the transport segment with the support of Alstom Group. The current production capacity of ATIL is 100 cars per year which can be ramped up to 250 cars on three shift basis. In March 2014, transport business of Alstom India Limited (AIL, energy business company of Alstom Group in India), which contributed about 13% of the AIL's revenue in FY14, was transferred to ATIL. This business covers traction, signalling and control systems for railways, particularly metro projects. The transaction took place to separate energy and transport assets of the group before GE deal. The transaction was done on slump sale basis and AIL received a consideration of Rs 286.94 crore against a net asset value of Rs 170.04 crore. During FY2016, ATIL also acquired GE's signaling business in India at a total cost of Rs. 60 crore.

Recent Results

ATIL reported net loss of Rs. 237 crore on an operating income of Rs. 739.5 crore in FY2016 as against a net loss of Rs. 127.1 crore on an operating income of Rs. 440.6 crore in FY2015.

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