



Alstom Transport India Limited

Instrument	Amount (Rs. Cr.)	Rating
Non Fund Based Limits*	610.00 (enhanced from Rs 170.00 crore)	[ICRA]A- (SO) reaffirmed/assigned; outlook stable
Non Fund Based Limits*	150.00	[ICRA]A-(SO) reassigned from [ICRA]BBB+(SO); stable outlook
Non Fund Based Limits	100.00 (enhanced from Rs 30.00 crore)	[ICRA]BBB reaffirmed/assigned; outlook stable
Total Limits	860.00	

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

ICRA has reaffirmed the long-term rating of [ICRA]BBB (pronounced as ICRA triple B) to the Rs. 100.00 crore (enhanced from Rs 30.00 crore) non-fund based limits of Alstom Transport India Limited (ATIL) . The outlook on long-term rating is Stable.

ICRA has also reaffirmed the long-term rating of [ICRA]A-(SO) (pronounced ICRA as A minus S O) with a stable outlook to the Rs. 610.00 crore (enhanced from Rs 170.00 crore) non-fund based bank limits of ATIL. 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.

ICRA has also reassigned the rating assigned to Rs. 150 crore non-fund based limits from [ICRA]BBB+(SO) (pronounced as ICRA triple B plus S O) to [ICRA]A-(SO) (pronounced as ICRA A minus S O). The long-term rating carries a Stable outlook. The reassignment of rating factors in the replacement of letter of comfort by an unconditional and irrevocable guarantee from Alstom Holding 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 standalone rating ([ICRA]BBB (Stable)) of ATIL is supported by technical and financial support available to the company for being a part of Alstom Group and its diverse products and services portfolio for rail infrastructure, which has only improved after transfer of transport business of Alstom India Limited (AIL) to ATIL. ATIL has an order backlog of Rs 2865 crore as on September 2014 including orders for metro rails in India and export orders received from Alstom Group companies, which lends visibility to the revenues of the company. Domestic demand for the company's products and services remains strong on the back of strong demand for rail infrastructure in India due to increasing numbers of metro rail projects, dedicated freight corridor project and railways modernization projects. Further, credit profile of ATIL is enhanced by credit enhancement in the form of corporate guarantee for some of 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. While comfort can be drawn from the fact that company has no borrowings outside Alstom Group, but continued financial support from the Group will be needed to run the operations of the company. 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 inflow of orders from group companies lends some comfort.



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 SA (Alstom), rated Baa3 with positive outlook by Moody's, is a world leader in transport and energy infrastructure. The group is a major supplier of integrated power generation products (including turnkey power plants, turbines and generators) and offers a wide range of solutions for power transmission, with a focus on smartgrid and transport infrastructure (signaling, maintenance equipment, global rail systems and high capacity automated metro systems). Alstom currently has over 86,000 employees in around 100 countries. During FY2015, Alstom has entered into an agreement with General Electric (GE) proposing sale of former's energy business to GE. As per the terms of the proposed agreement, the power business of Alstom will be 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 would be strengthened by the sale of GE's signaling operations to Alstom.

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 Transport SA. The current production capacity of ATIL is 100 cars per year. 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.

Recent Results

ATIL reported net loss of Rs. 45.14 crore on an operating income of Rs. 99.02 crore in FY14. In 9MFY15 (provisional results), the company reported a net loss of Rs. 62.28 crore on revenue of Rs. 365.90 crore.

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