



Bombardier, Inc. Has a Huge Opportunity in India

Description

Despite the ongoing problems related to cost overruns and delays, **Bombardier, Inc.** ([TSX:BBD.B](#)) turns out some fairly solid trains and planes.

The CSeries in particular has received favourable reviews from both customers and pilots alike, and thousands of daily commuters and transit agencies around the world are not only using Bombardier's trains on a daily basis, but turn to the company repeatedly for upgrades and fleet renewals.

One area that has attracted a lot of interest of late is the Indian market, which is in the midst of an economic and infrastructure boom. Bombardier already has a presence in the country, and the conditions are ripe for further projects for Bombardier's rail division.

Bombardier's Indian presence

Bombardier's current business in India represents \$300 million in revenue spanning the next five years. The first new Bombardier-built vehicle for Delhi's metro was delivered this week. The existing contract calls for an additional 162 cars to be built, which will give Delhi Metro (DMRC) one of the largest fleets of Bombardier metro trains in the world—776 cars in total.

Bombardier also happens to be the DMRC's primary supplier of both rolling stock and signaling systems with over 120 km of track in various states of completeness for Delhi's five, six, and seven lines.

Since 2007 the relationship with DMRC has resulted in over \$1.2 billion in orders for Bombardier, but the company now sees additional opportunities in India.

Is there a new opportunity on the horizon?

Metro areas across India are starting to meet the limits of what current transit infrastructure can handle, and countless new rail projects are being planned to connect major centres across the country. In Delhi alone, the average daily ridership in the metro system is nearing three million passengers daily.

Bombardier is targeting rail projects in other cities that are experiencing significant growth as a source of future business and revenues.

Bombardier's view on the opportunity in the Indian market was quantified recently as a potential \$1 billion in revenue within the next five years. That would represent a contract triple the size of the current Delhi project. That's impressive, without a doubt, but whether or not it can be delivered remains to be seen.

Bombardier has even alluded to the possibility of opening an engineering centre in the country to support the myriad of new rail and metro projects that are being planned.

What does this mean for Bombardier?

If additional projects materialize over the next year as many speculate, the impact to Bombardier's bottom line could be huge, provided that the company can actually deliver on schedule. The ongoing delivery problems with both the Toronto transit and Metrolinx projects are prime examples of Bombardier continuing to have delivery issues; Bombardier has been forced to amend the delivery schedules on more than one occasion.

While the overall sentiment around Bombardier has improved over the past six months, the stock remains a fairly risky investment, in my opinion. While the CSeries's ongoing success will help the financial health of the company, Bombardier still has a massive debt load and a bailout from Quebec and eventually the Federal government to tackle.

At this point, there are far better investments on the market for investors to consider.

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1. TSX:BBD.B (Bombardier)

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