

## Alok Industries Limited

May 23, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term bank facilities	3,500.00	CARE AA+; Stable	Reaffirmed
Long-term / Short-term bank facilities	390.00 (Enhanced from 190.00)	CARE AA+; Stable / CARE A1+	Reaffirmed
Short-term bank facilities	10.00	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

Ratings assigned to bank facilities of Alok Industries Limited (AIL) continue to derive strength from experienced, strong and resourceful promoters, where Reliance Industries Limited (RIL; rated 'CARE AAA; Stable/ CARE A1+') holds a direct stake of 40.01%, making AIL an associate company of RIL, whereby operations are supported by RIL. Ratings also factor demonstrated support from RIL, through infusion of funds, providing unconditional and irrevocable corporate guarantees to the entire term debt of AIL, given AIL's strategic importance to RIL and operational synergies in the form of supply of raw materials and off-take of finished products for Reliance's apparel and fashion business of the retail venture. In March 2024, AIL shifted its polyester business under job work model, whereby RIL shall provide the key raw materials and take the finished product on a cost plus margin basis and fixed rental. Ratings further draw strength from AIL's presence across segments of the textile value chain in cotton and polyester products.

However, ratings are constrained due to continued weak operating performance with cash losses on a sustained basis, dumping of polyester yarns by Chinese players, and commoditised nature of the textile business.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Increase in the shareholding by RIL in the company to more than 50%, along with majority representation on entity's board.
- Improvement in the standalone performance of AIL with realisation of expected synergies with RIL, resulting in improvement in its debt coverage indicators and return on capital employed (ROCE).

#### Negative factors

- Weakening of the credit risk profile of the major stakeholder, RIL marked by 1 notch downgrade in its ratings.
- Any substantial decline in RIL's holding in AIL from the current level.
- Change in stance of timely and need-based support by RIL.

### Analytical approach: Standalone

CARE Ratings Limited (CARE Ratings) has also applied its parent notch-up framework to factor in the support available to AIL from RIL, given strong management, financial, and operational linkages.

### Outlook: Stable

CARE Ratings believes AIL's business and financial risk profiles will continue to benefit from the extensive experience of its promoters, operational synergies, and continued financial support from RIL.

### Detailed description of key rating drivers:

#### Key strengths

##### Experienced, strong, and resourceful promoters and demonstrated support

After the implementation of the Resolution Plan, RIL holds 40.01% equity stake in AIL, whereas JM Financial Asset Reconstruction Company (JMFARC) – Trust holds 34.99% equity stake in AIL and balance equity stake is held by public and other shareholders. The company's key operations are managed and supervised by RIL through its three nominee directors appointed on the board of AIL. It is an associate company of RIL and RIL has supported operations of AIL through extension of credit period for the raw material supplied by it. RIL had infused ₹250 crore by way of 9% Optionally Convertible Redeemable Preference Shares and ₹3,300 crore by way of 9% Non-Convertible Redeemable Preference Shares in AIL. Term loans taken by AIL, amounting to ₹3,500 crore are backed by unconditional and irrevocable corporate guarantees extended by RIL.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE Ratings Limited's publications.

**Operational synergies with RIL group**

By acquiring an integrated textile manufacturing facility like AIL, RIL has been able to synergise its own textile business (polyester segment) with that of AIL. The company has synergies with the group's retail arm, which is of strategic importance to the group's overall strategy. Since AIL is also engaged in garmenting, there is a direct synergy with RIL's retail ventures, where textile products manufactured by AIL are also being marketed through Reliance Retail's Fashion and Lifestyle segment.

**Integrated presence across the textile value chain in cotton and polyester segments**

AIL has a presence across the entire textile value chain, i.e., cotton yarn, polyester yarn, apparel fabric, garments, and home textiles. Over the years, through continuous backward or forward integration and capacity expansion, AIL has established itself as one of the largest integrated players in the domestic textile industry. The company also has a diversified clientele both, in the domestic as well as export markets, ensuring risk mitigation. Export sales contributed 21% to the overall revenue during FY24 (FY23:17%).

**Change in business model of polyester segment**

From March 2024, AIL moved its polyester business under job work model, whereby key raw materials, Purified Terephthalic Acid (PTA) and Mono-Ethanol Glycol (MEG), are being provided by RIL, which shall also provide an off-take schedule for the finished products. AIL shall carryout the production in accordance with orders from RIL. Under the arrangement, AIL shall recover conversion cost along with certain profit margin and shall also receive a fixed rental income. The job-work model is expected to result in overall improvement in AIL's profitability, as the company will not be exposed to market related risks for polyester segment going forward.

**Liquidity: Adequate**

AIL's liquidity profile is primarily driven by support of its strong parent – RIL, which has demonstrated the support by extension of credit period and infusion of funds in the past. Moreover, RIL has also extended corporate guarantee for the term loans of AIL, which provides additional support. AIL had a cash and bank balances of ~₹12 crore as on March 31, 2025. In spite of large amount of cash losses, its liquidity has been supported by shift to job work model for polyester segment resulting in reduction in its working capital requirement and monetisation of non-core assets. The utilisation of its fund-based limits stood low at ~5% for 12 months, ended April 2025. The term debt has a moratorium of two years and repayment are scheduled to commence from Q4FY26. RIL has an ample liquidity and superior financial flexibility, given its ability to easily access capital markets and raise funds at highly competitive interest rates which supports AIL's liquidity.

**Key weaknesses****Continued subdued operating performance in FY25**

AIL's operating performance continued to remain subdued in FY25 wherein company incurred operating losses owing to operational disruptions at its Silvassa unit caused by power failures and a tornado, leading to production losses. These challenges combined with higher fixed cost had impacted the operating performance during the period. Consequently, overall performance for FY25 remained subdued with company reporting operating loss of ₹30 crore on a revenue of ₹3,557 crore (FY24: TOI: ₹5,362 crore; PBILDT: ₹75 crore). Sizeable decline in revenue in FY25 was considering shift of its polyester business segment to job work model from March 2024, under which the company accounts for only conversion income and fixed rental income.

In FY24, the company had reported operating profit supported by stable cotton prices and improvement in capacity utilisation in the cotton yarn segment, while capacity utilisation in polyester segment continued to face headwinds owing to influx of cheap products from China. Consequently, overall capacity utilisation declined to 52% in FY24 from 69% in FY23. The company reported cash losses primarily on account of higher interest expenses, which also accounts for preference dividend as per IND AS, though such preference dividend has not been paid out as the same is cumulative in nature.

AIL is undertaking various strategic initiatives, including improving the product mix, increasing the sales of value-added products, which coupled with stable income under the polyester segment, is expected to improve the profitability in the medium term.

**Commoditised nature of textile business**

The cotton yarn business is susceptible to volatility in prices of raw cotton. Limited ability to fully pass on the price rise and inventory losses, in case of price corrections remains key challenges. Textile products are commoditised in nature and the industry is characterised by intense competition and cyclicity, making it vulnerable to demand-supply dynamics, which restricts AIL's pricing power. Besides, aggressive competition by other countries also impacts the pricing power. Transition to the job work model by AIL in polyester segment mitigates the risk associated with volatility in its raw material prices, as RIL provides PTA and MEG, while AIL converts the same on cost plus margin and fixed rental basis.

## Environment, social, and governance (ESG) risks

Parameter	Risk factors
Environmental	<ul style="list-style-type: none"> <li>AIL has undertaken efforts for conserving energy and for environmental sustainability. This includes using biomass briquettes as fuel for steam generation, recycling polyester waste to produce 100% recycled polyester fiber, recycling over 60% of waste for productive use, and achieving 86% water recyclability.</li> <li>AIL aims to reduce carbon intensity by 50% by 2025 (from 2019 levels) and increase its portfolio of eco-friendly products through sustainable raw material sourcing, design, and manufacturing processes.</li> </ul>
Social	<ul style="list-style-type: none"> <li>AIL continues to provide adequate training to its employees and workers on skill upgradation.</li> <li>As part of health and safety measures, every employee and associate is provided with an overview of the company's safety policies and procedures, with necessary safety awareness trainings, information on emergency protocols, use of personal protective equipment (PPE) and teachings on potential safety hazards, among others.</li> </ul>
Governance	<ul style="list-style-type: none"> <li>Of seven directors, the company has three independent directors on board. Chairman is an independent director.</li> <li>There are separate Codes of Conduct for directors and senior management.</li> <li>Policies including whistle blower policy is in place, in line with the requirement. In FY24, AIL did not receive whistleblower complaints and four complaints received from shareholders were resolved amicably.</li> </ul>

## Applicable criteria

[Definition of Default](#)

[Factoring Linkages Parent Sub JV Group](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Cotton Textile](#)

[Short Term Instruments](#)

[Manmade Yarn](#)

## About the company and industry

### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer discretionary	Textiles	Textiles & apparels	Other textile products

AIL is one of the largest fully integrated textile players having presence across the value chain right from cotton spinning, polyester yarn, apparel fabrics, home textiles, and garments. The company has over 10 manufacturing plants at Silvassa, Dadra and Nagar Haveli and Daman and Diu and Valsad, Gujarat.

Pursuant to the order dated March 08, 2019, National Company Law Tribunal (NCLT) approved the resolution plan which was submitted jointly by JM Financial Asset Reconstruction Company Limited (JMFARC), JMFARC–Trust and Reliance Industries Limited (RIL). Post implementation of the approved Resolution Plan, RIL holds 40.01% equity stake whereas JMFARC (acting in its capacity as trustee of JMFARC – Trust) holds 34.99% equity stake in AIL and balance equity stake is held by public.

Brief Financials (₹ crore)	FY24 (A)	FY25 (Abridged)
Total operating income	5,362.15	3,556.59
PBILDT	75.35	-30.17
PAT	-813.71	-768.81
Overall gearing (times)	1.29	1.74
Interest coverage (times)	0.13	NM

A: Audited; NM: Not Meaningful; Note: these are latest available financial results  
Financials are reclassified per CARE Ratings' standards

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated:** Annexure-4

**Lender details:** Annexure-5

#### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan		-	-	31-12-2032	3500.00	CARE AA+; Stable
LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG		-	-	-	390.00	CARE AA+; Stable / CARE A1+
Non-fund-based - ST-Loan Equivalent Risk		-	-	-	10.00	CARE A1+

#### Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Fund-based - LT-Term Loan	LT	-	-	-	-	1)Withdrawn (29-Jan-24)	1)CARE AA; Stable (05-Jan-23)
2	Fund-based - LT-Cash Credit	LT	-	-	-	-	1)Withdrawn (29-Jan-24)	1)CARE AA; Stable (05-Jan-23)
3	Unsupported rating-Unsupported rating (Long Term)	LT	-	-	-	-	-	1)Withdrawn (05-Jan-23)
4	Fund-based - LT-Term Loan	LT	3500.00	CARE AA+; Stable	-	1)CARE AA+; Stable (27-Feb-25)	1)CARE AA+; Stable (06-Feb-24)	-
5	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	LT/ST	390.00	CARE AA+; Stable / CARE A1+	-	1)CARE AA+; Stable / CARE A1+ (27-Feb-25)	1)CARE AA+; Stable / CARE A1+ (06-Feb-24)	-
6	Non-fund-based - ST-Loan Equivalent Risk	ST	10.00	CARE A1+	-	1)CARE A1+ (27-Feb-25)	1)CARE A1+ (06-Feb-24)	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities:** Not applicable

**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	Simple
3	Non-fund-based - ST-Loan Equivalent Risk	Simple

**Annexure-5: Lender details**

To view lender-wise details of bank facilities please [click here](#)

**Note on complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for clarifications.

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