

Alok Industries Ltd — 09 Jan 2026 Credit Rating Summary

Section	Details
Agency	CARE Ratings Ltd.
Rating Change	Reaffirmed at CARE AA+ (Long-Term) / CARE A1+ (Short-Term)
Outlook (Current vs Previous)	Stable / Stable
Key Drivers of Change	<ul style="list-style-type: none"> • RIL Guarantee: Unconditional & irrevocable corporate guarantee from Reliance Industries Ltd (RIL) for the entire ₹3,500 Cr term debt. • Strategic Support: RIL holds 40.01% stake; has infused ₹3,550 Cr via preference shares to date. • Model Pivot: Transitioned polyester segment to a Job-Work model for RIL, reducing working capital needs but causing a 33.6% revenue drop (FY25 TOI: ₹3,559.52 Cr vs FY24: ₹5,362.15 Cr). • Operational Synergy: Captive supplier for Reliance Retail's Fashion/Lifestyle segment; RIL provides raw materials (PTA/MEG) and off-takes finished goods.
Rated Instruments	<ul style="list-style-type: none"> • Term Loans: ₹3,500 Cr (CARE AA+; Stable) • LT/ST Bank Facilities (CC/LC/BG): ₹390 Cr (CARE AA+; Stable / CARE A1+) • ST Non-fund Based: ₹10 Cr (CARE A1+)
Key Observations	<p>Positives:</p> <ul style="list-style-type: none"> • Deep integration across textile value chain (Cotton/Polyester/Apparel). • Low bank limit utilization (~6%) providing liquidity cushion. • Job-work model (Cost-plus margin) shields company from raw material price volatility. <p>Risks:</p> <ul style="list-style-type: none"> • Severe Operating Losses: FY25 PBILDT was negative -₹21.86 Cr. • High Leverage: Overall gearing worsened to 2.13x in H1FY26 (from 1.29x in FY24). • Macro Headwinds: US tariff issues impacting cotton exports (11% of FY25 revenue). • Interest Burden: Non-meaningful (NM) interest coverage due to sustained cash losses.
Investor Impact	<ul style="list-style-type: none"> • Growth: Revenue "shrinking" is a reporting artifact of the job-work model, not necessarily a loss of scale. • Margins: Shift to "Cost-plus" provides a floor but caps speculative upside from cotton price swings. • Leverage: Gearing is high and rising; equity value is highly dependent on RIL's willingness to convert/support preference shares. • Dilution: Potential dilution risk remains high if preference shares (₹3,550 Cr) are converted to equity to repair the balance sheet.
Agency / Cross Analysis	<p>Same Agency: CARE maintained the rating despite a swing from PBILDT profit (₹75 Cr in FY24) to a loss (-₹22 Cr in FY25). This signals that the rating is almost entirely decoupled from AIL's standalone financials and is instead a "Shadow Rating" of RIL (AAA).</p> <p>Conclusion: Improvement in business structure (risk mitigation) but deterioration in standalone financial health.</p>
Final Inference	Alok Industries is no longer a standalone textile play; it is a captive infrastructure arm for RIL . The AA+ rating is a reflection of RIL's credit-wrap , not AIL's P&L. Equity investors should focus on RIL's integration plans rather than standalone EPS, which remains deeply negative.