

## Alok Industries Ltd — 27 Feb 2025 Credit Rating Summary

Section	Details
<b>Agency</b>	CARE Ratings Ltd.
<b>Rating Change</b>	<b>Reaffirmed</b> at CARE AA+ (No notch movement).
<b>Outlook (Current vs Previous)</b>	<b>Stable</b> vs Stable.
<b>Key Drivers of Change</b>	<ol style="list-style-type: none"> <li><b>Parental Support:</b> 40.01% held by Reliance Industries Ltd (RIL); term debt of ₹3,500 Cr backed by RIL's unconditional &amp; irrevocable guarantee.</li> <li><b>Equity Infusion:</b> RIL infused ₹3,550 Cr via preference shares (₹250 Cr OCRPS + ₹3,300 Cr NCRPS), providing critical capital.</li> <li><b>Model Pivot:</b> Transition to "Job Work" for polyester; RIL provides RM (PTA/MEG) and takes finished goods, removing raw material price risk.</li> <li><b>Strategic Integration:</b> AIL is the primary supplier for Reliance Retail's Fashion/Lifestyle segment.</li> </ol>
<b>Rated Instruments</b>	1. <b>Long-term Bank Facilities:</b> ₹3,500 Cr
<b>Key Observations</b>	<ul style="list-style-type: none"> <li>• <b>Operational Drag:</b> Reported 9MFY25 revenue of ₹2,644 Cr with an operating loss (PBILDT: -₹38.31 Cr).</li> <li>• <b>One-off Disruptions:</b> Silvassa unit hit by power failures and a tornado in late 2024, hurting 9MFY25 output.</li> <li>• <b>Dumping Pressures:</b> Capacity utilization in polyester hit by cheap Chinese imports (FY24 utilization fell to 52% from 69%).</li> <li>• <b>Interest Burden:</b> Heavy cash losses driven by interest expenses (though preference dividends are cumulative/non-cash).</li> <li>• <b>Liquidity Buffer:</b> Cash balance of ~₹100 Cr; debt moratorium until Q4FY26 provides breathing room.</li> </ul>
<b>Investor Impact</b>	<ul style="list-style-type: none"> <li>• <b>Growth:</b> Revenue is shrinking (FY24: ₹5,362 Cr vs FY23: ₹6,776 Cr) as the business shifts from product sales to conversion fees.</li> <li>• <b>Margins:</b> Negative PBILDT in 9MFY25; reliance on RIL for "cost-plus" margins to reach break-even.</li> <li>• <b>Leverage:</b> Standalone gearing is extreme; interest coverage is "Not Meaningful" (NM).</li> <li>• <b>Dilution Risk:</b> Significant; ₹3,550 Cr in preference shares held by RIL are a massive overhang on common equity.</li> </ul>
<b>Agency / Cross Analysis</b>	<p><b>Same Agency:</b> CARE maintains a massive "notch-up" from AIL's standalone junk-level profile to AA+ based entirely on RIL's AAA strength.</p> <p><b>Drivers vs. Last Review:</b> Since Feb 2024, the primary change is the full implementation of the job-work model, which shifts risk to RIL but reduces AIL's top-line.</p> <p><b>Conclusion: Inconsistency between Financials and Rating.</b> Financials have deteriorated (9MFY25 losses), but the rating remains high solely due to RIL's "unconditional" support.</p>
<b>Final Inference</b>	<b>Real Risk Signal disguised as High Credit:</b> The AA+ rating is a proxy for RIL's balance sheet, not AIL's performance. For equity holders, AIL is a "captive manufacturing arm" of RIL; standalone profitability remains elusive despite the pivot.