

Retail Equity Research

Alok Industries Ltd

Textiles

CMP Rs. ₹ 19
Rating: Overweight
NSE CODE: ALOKINDS BSE CODE: 521070

Alok Industries performance in FY24 underscores the company's ongoing operational and financial challenges. The firm experienced fluctuating quarterly sales, with a consistent decline over the last three quarters, ending Dec-24 at ₹863.86 crore, down 2% sequentially. Operating profit showed volatility, turning negative in both Q2 and Q3, reflecting weak cost management despite marginal improvements in other income. Net losses widened to ₹272.99 crore in Dec-24 due to rising interest expenses (₹158.44 crore) and subdued revenue growth. EBITDA margins remain pressured, while persistent losses at the profit-before-tax level (-₹268.11 crore in Dec-24) highlight the structural inefficiencies in operations. The declining growth trajectory (-21% YoY in Sep-24) and high financial leverage erode market confidence, necessitating strategic interventions. A turnaround strategy focusing on cost optimization, debt reduction, and revenue diversification, alongside steady improvement in return ratios, is imperative for sustainable recovery.

Company Data

Market Cap (cr)	Rs.	9,498.49
Enterprise Value (cr)	Rs.	38,633.02
Outstanding Shares (cr)		496.52
52 week high	Rs.	32.90
52 week low	Rs.	18.30
1m average volume (lacs)		80.57
Face value	Rs.	1.00

	FY22	FY23	FY24
Sales	7309.5	6989.2	5509.59
Growth(%)	90%	-4%	-21%
EBITDA	608.94	-13.8	70.95
EBITDA Margin(%)	8.3%	-0.2%	1.3%
PAT	-208.60	-880.46	-846.82
Growth(%)	96%	-322%	4%
EPS	-0.4	-1.8	-1.7
P/E	-60.3	-6.5	-15.2
P/B	-0.7	-0.3	-0.6
EV/EBITDA	60.5	-2164.0	544.5
ROE(%)	1%	4.7%	4%
ROCE(%)	4%	-7.2%	-4.1%
ROIC(%)	4%	-7.2%	-4.1%
D/E	-1.36	-1.28	-1.32

Declining Sales and Profitability: Sales have seen a significant decline, with FY24 revenue dropping by 21% to ₹5,509.59 crore compared to FY23. While EBITDA turned positive at ₹70.95 crore in FY24, the margin remains low at 1.3%, recovering from a negative margin in FY23. However, PAT continues to be negative at ₹-846.82 crore, indicating persistent losses.

Weak Return Ratios and Leverage: Return ratios like ROE (4%) and ROCE (-4.1%) reflect poor efficiency and profitability. Additionally, the company's debt-to-equity ratio of -1.32 highlights high leverage and financial distress despite efforts to stabilize operations.

Valuation and Earnings Pressure: Negative EPS (-₹1.7 in FY24) and high EV/EBITDA (544.5x) indicate that the company is struggling to generate value for shareholders. The low P/B ratio (-0.6 in FY24) reflects diminished market confidence in its recovery potential.

Key Highlights

Diverse Business Divisions: Alok Industries operates in multiple textile segments with a fully integrated polyester division (61%), which spans from polymerization to finished polyester products like POY, FDY, and PSF. The company also manufactures apparel fabric (18%), home textiles (12%), and cotton yarn (9%), catering to a wide range of textile needs.

Comprehensive Product Portfolio: Alok Industries offers a broad array of products, including shopping bags, woven and knitted fabrics, garments, bed linen, terry towels, polyester yarn, and technical textiles. This diversity positions the company as a one-stop textile solutions provider.

Strategic Manufacturing Facilities: The company operates 10 manufacturing plants across Dadra and Nagar Haveli (Silvassa), Gujarat, and Maharashtra, ensuring efficient production capabilities and geographical reach.

Geographical Revenue Split: With 83% of its revenue coming from domestic sales and 17% from exports, the company has a strong foothold in the domestic market while maintaining an international presence.

Debt-Led Expansion and Restructuring: Alok Industries underwent significant debt-funded expansion between 2004 and 2013 but faced financial distress in 2017 with total debt reaching ₹30,000 crore. It was identified as one of 12 stressed units under IBC and was later acquired jointly by Reliance Industries Ltd. (RIL) and JM Financial Asset Reconstruction (JMFARC) in 2019 for ₹5,000 crore.

Strategic Partnership with RIL: The company entered into an eight-year offtake agreement with RIL in February 2020. This "take-or-pay" agreement ensures minimum guaranteed offtake for polyester products, aiding in managing working capital efficiently.

Operational Synergies with RIL: Alok Industries has leveraged RIL's supply chain for key raw materials like PTA and MEG, and its products are marketed through Reliance Retail's Fashion and Lifestyle segment. This partnership ensures raw material availability and strengthens operational efficiency.

High Debt and Capital Infusion: As of FY24, Alok Industries has a debt of approximately ₹26,000 crore, incurring an interest cost of ₹596 crore. Recently, RIL infused ₹3,300 crore through 9% non-convertible cumulative redeemable preference shares to support the company's financial health.

Future Focus and Market Expansion: The company is expanding its market focus to Asia and Africa to reduce dependency on developed markets, ensuring long-term growth and resilience in a challenging global economic environment.

Quarterly Financial Consolidated

Profit and loss account

(Rs Cr)

	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
Sales	1,253.03	1,469.31	1,006.30	885.66	863.86
Growth(%)	-9%	17%	-32%	-12%	-2%
Expenses	1,258.76	1,463.96	985.81	931.37	905.74
Operating Profit	-5.73	5.35	20.49	-45.71	-41.88
Growth(%)	-116%	193%	283%	-323%	8%
Other Income	0.02	7.89	6.04	13.12	6.77
Depreciation	79.05	77.19	77.10	71.81	74.56
Interest	143.98	156.08	156.30	157.70	158.44
Profit before tax	-228.74	-220.03	-206.87	-262.10	-268.11
Tax	1.18	-4.10	-	-	4.88
Net profit	-229.92	-215.93	-206.87	-262.10	-272.99
Growth(%)	-24%	6%	4%	-21%	-4%

Financial Consolidated

Profit & Loss

(Rs Cr)

	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Sales	3,297.68	3,847.59	7,309.50	6,989.20	5,509.59
Growth(%)	-2%	17%	90%	-4%	-21%
Expenses	3,435.99	3,651.95	6,745.47	7,067.72	5,458.09
Operating Profit	-138.31	195.64	564.03	-78.52	51.50
Growth(%)	-7%	241%	188%	-114%	166%
Other Income	2,082.36	-3,865.48	44.91	64.72	19.45
Depreciation	541.84	295.10	342.16	364.91	324.62
Interest	94.29	489.29	476.20	501.24	596.07
Profit before tax	1,307.92	-4,454.23	-209.42	-879.95	-849.74
Tax	-2.31	1,219.09	-0.82	0.51	-2.92
Net profit	1,310.23	-5,673.32	-208.60	-880.46	-846.82
Growth(%)	-37%	-533%	96%	-322%	4%

Balance Sheet

(Rs Cr)

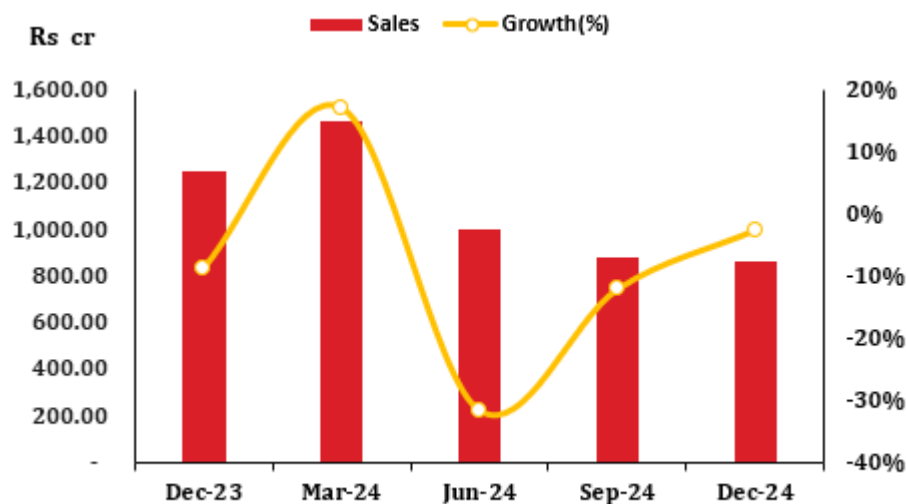
Report Date	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Equity Share Capital	221.08	496.53	496.53	496.53	496.53
Reserves	-12,541.40	-18,165.68	-18,403.84	-19,396.96	-20,272.40
Borrowings	29,389.54	24,185.94	24,341.48	24,162.72	26,014.75
Other Liabilities	839.02	1,526.79	1,793.40	2,198.82	1,167.95
Total	17,908.24	8,043.58	8,227.57	7,461.11	7,406.83
Net Block	15,033.03	6,043.10	5,819.50	5,519.53	5,214.89
Capital Work in Progress	0.35	10.76	7.57	15.01	17.95
Investments	94.58	0.05	0.05	0.05	0.05
Other Assets	2,780.28	1,989.67	2,400.45	1,926.52	2,173.94
Total	17,908.24	8,043.58	8,227.57	7,461.11	7,406.83

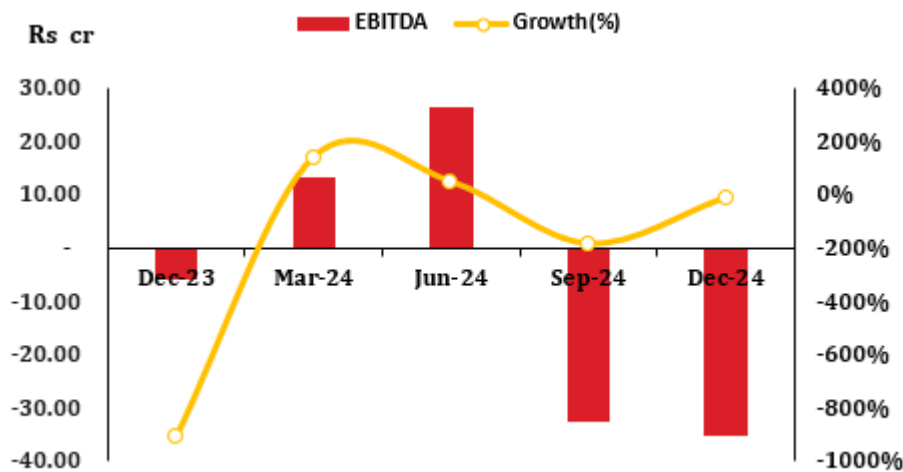
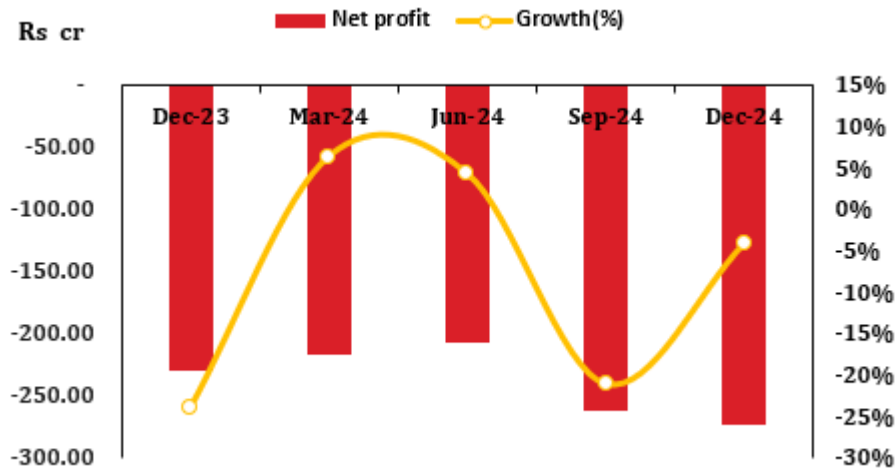
Cash Flow

(Rs Cr)

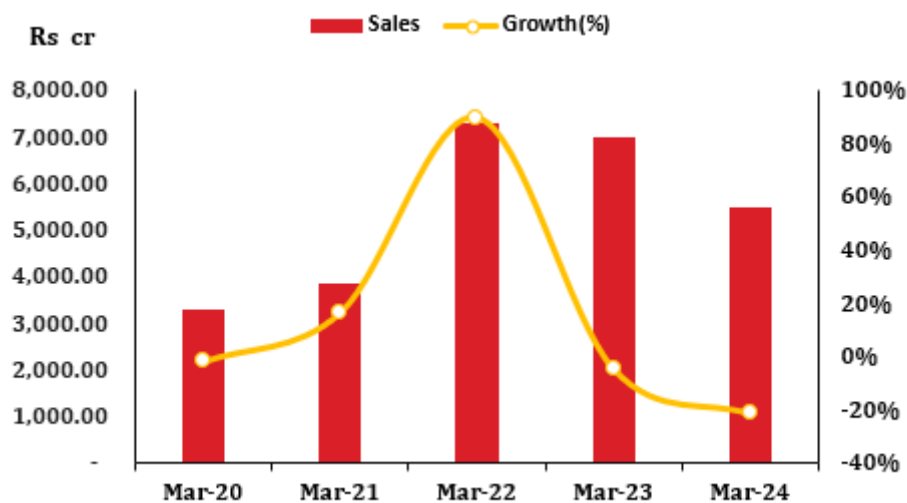
	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Cash from Operating Activity	-265.84	345.3	224.84	813.27	-1160.73
Cash from Investing Activity	28.97	-203.3	-108.36	-129.49	-197.96
Cash from Financing Activity	598.99	-344.52	-293.18	-686.87	1363.95
Net Cash Flow	362.12	-202.52	-176.7	-3.09	5.26

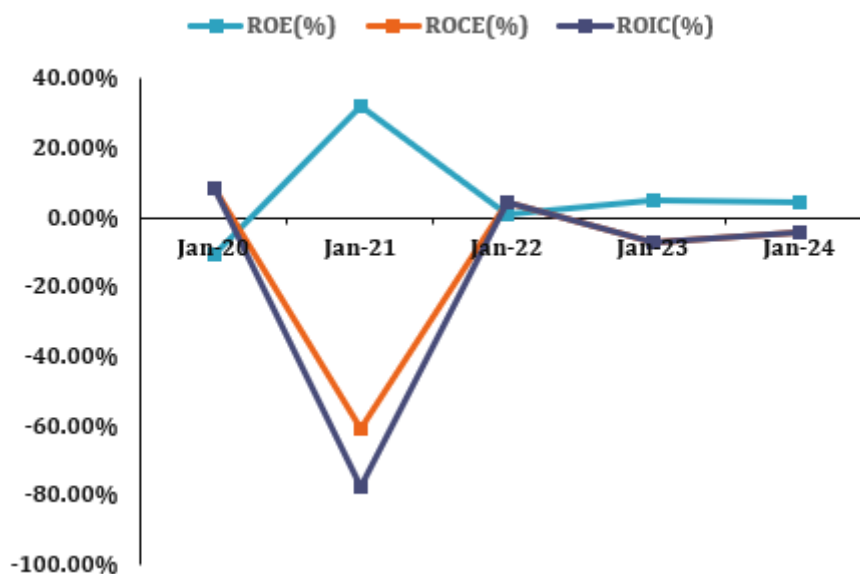
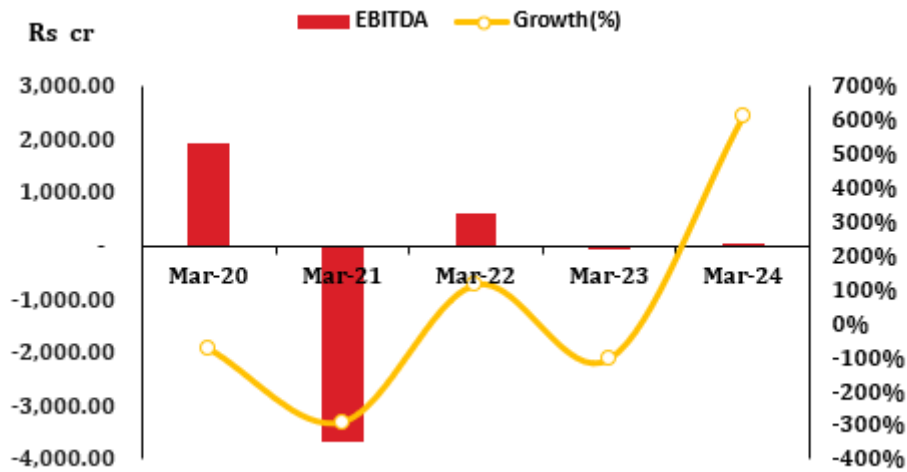
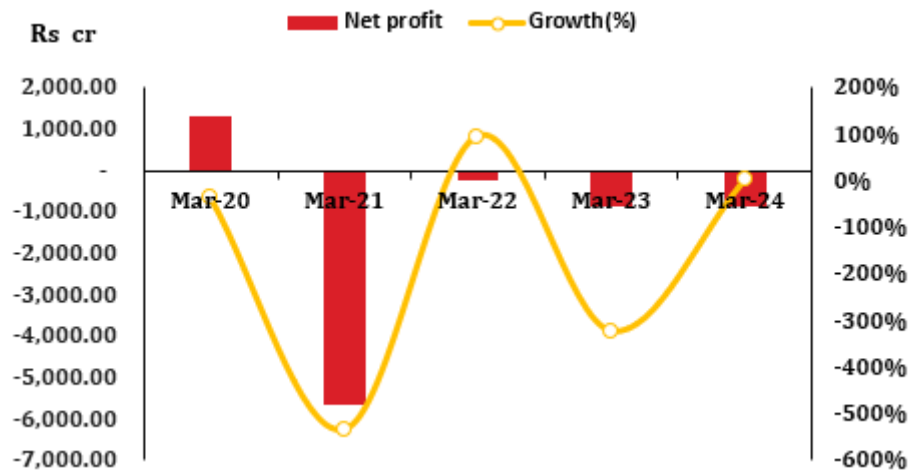
Key Metrics: Quarterly





Key Metrics: Yearly





Key Ratio:

Leverage Ratios	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
D/E	-2.39	-1.37	-1.36	-1.28	-1.32
Debt/Assets	1.64	3.01	2.96	3.24	3.51
Debt/Ebitda	15.12	-6.59	39.97	-1750.92	366.66
Debt/Capital Ratio	172%	371%	378%	459%	417%
Cash flow/Debt	-0.01	0.01	0.01	0.03	-0.04
Interest coverage ratio	14.87	-8.10	0.56	-0.76	-0.43
Sales Change	-2%	17%	90%	-4%	-21%
Ebit Change	-78%	-383%	107%	-242%	33%
Operating Leverage	4.10	14.48	2.09	26.00	-7.82
Financial Leverage	-1.45	-0.46	-0.46	-0.39	-0.37

Efficiency ratios					
Receivable days	27	33	25	18	31
Receivable turnover	13.67	11.07	14.51	20.27	11.86
Inventory days	0.00	0.00	0.00	0.00	0.00
Inventory turnover	8	4	5	7	6
Net Fixed assets turnover	0.22	0.64	1.26	1.27	1.06
Sales/capital employed	0.19	0.59	1.14	1.33	0.88
Total Asset Turnover	0.18	0.48	0.89	0.94	0.74

Profitability ratios					
Ebitda	1944.05	-3669.84	608.94	-13.8	70.95
Ebitda margin	59%	-95%	8%	0%	1%
Gross Profit	347.06	853.29	1179.94	628.9	719.93
Gross Profit Margin	11%	22%	16%	9%	13%
EBIT	1402.21	-3964.94	266.78	-378.71	-253.67
EBIT Margin	43%	-103%	4%	-5%	-5%
ROE					
Net profit margin	40%	-147%	-3%	-13%	-15%
EPS	5.93	-11.43	-0.42	-1.77	-1.71
DU Pont ROE	-11%	32%	1%	5%	4%
Net Profit Margin	40%	-147%	-3%	-13%	-15%
Sales/Total assets	0.18	0.48	0.89	0.94	0.74
Financial Leverage	-1.45	-0.46	-0.46	-0.39	-0.37
DU PONT ROA	7%	-71%	-3%	-12%	-11%
Net Profit Margin	40%	-147%	-3%	-13%	-15%
Sales/Total assets	0.18	0.48	0.89	0.94	0.74

Capital Allocation Ratios	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
ROCE	-4%	-20%	3%	-8%	-4%
EBIT Margin	43%	-103%	4%	-5%	-5%
Sales/cap employed	0.19	0.59	1.14	1.33	0.88
NOPAT	1404.69	-5050.11	265.74	-378.93	-252.80
Capital employed	17069.22	6516.79	6434.17	5262.29	6238.88
ROIC	8%	-77%	4%	-7%	-4%

Valuation Ratios					
Price/Earnings	0.66	-1.76	-60.34	-6.54	-15.16
Price/Book	-0.07	-0.57	-0.70	-0.30	-0.65
Marketcap	866.59	10,004.88	12,586.78	5,759.63	12,835.04
Enterprise Value	29,767.06	33,919.69	36,868.94	29,862.70	38,633.02
EV/EBITDA	15.31	-9.24	60.55	-2,163.96	544.51

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