Case Study: The Rise, The Fall & The Comeback of Alok Industries

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Abstract

If I ask stock traders to put their money in a company which has just come out of the insolvency resolution proceedings, they'd probably just ignore me. But who knew back in February, 2020 that, this multibagger in the past, 'Alok Industries Limited' a bankrupt company taken over by Mukesh Ambani's Reliance Industries and JM Financials Ltd, would have led you in the list of wealth builders giving returns of more than double within few months, hitting upper circuits for 17 consecutive times[1]. This study aims to discuss the history, fall and the rapid comeback of this company, which would be impossible if there would not have been the legislations like the Insolvency and Bankruptcy Code, 2016 (IBC, 2016).

Alok Industries is one of the 12 large accounts with outstanding loans greater than Rs. 5000 crore that the Reserve Bank of India asked banks to refer to the NCLT proceedings. In June 2017, the Ahmedabad bench of the National Company Law Tribunal (NCLT) admitted State Bank of India's (SBI) insolvency petition against Alok Industries. Alok Industries owed lenders a total of around Rs. 30,000 crore. Reliance Industries Ltd. and

JM Financial Ltd. took over the company after having acquired it in bankruptcy proceedings.

This case study aims to give a brief about the background and birth of the company, factors that led to its fall, the process under IBC, its acquisition by Reliance Industries Limited and JM Financial Ltd ; and post CIRP performance of the Alok Industries Limited.

Key Words: NPA, IBC, Independent Advisory Committee, Insolvency, Bank loans, non-performing assets

1. RESEARCH METHODOLOGY

The research methodology to conduct this study was majorly secondary research or desk research, involving the already existing data. Hence, only secondary sources of data collection is used in this case study. Data is collected from various sources, such as, books, publications and reports of Reserve Bank of India (RBI), Insolvency and Bankruptcy Board of India (IBBI), Ministry of Corporate Affairs (MCA), Press Information Bureau (PIB), Securities and Exchange Board of India (SEBI), and other official publications, Journals, Working Papers, Internet sources and Research papers.

The period of data used in this case study is from FY 2017-18 to the FY 2021-22. The data available prior to or at the beginning of FY 2017-18 is also used to further the analysis.

2. INTRODUCTION

The Insolvency and Bankruptcy Bill was introduced by the NDA Government in the year 2015, but got the assent of the Hon'ble President of India on 28th May 2016. Certain provisions of the Act have come into force from 5 August and 19 August 2016. The Code was passed by parliament in May 2016 and became effective in December 2016.This was introduced as a reform focused towards fastening the long insolvency process and to cure the tremendously spreading diseases of Bad Debts in our Banking sector.

In June 2017, an Independent Advisory Committee for the Reserve Bank of India, identified 12 Bad Debt Accounts totalling about 25% of the Gross NPA's of the banking system, directing banks to immediately refer for bankruptcy proceedings. The RBI even made a plea to the Hon'ble NCLTs to prioritize these cases. Alok Industries Limited was one of these 12 companies. In fact, it was the only textile company which was placed in this list of 12 stressed accounts as the list was majorly dominated by steelmakers, power and infrastructure companies.

It has been witnessed that due to excess debts and furious expansion plans, companies fall in trouble. Alok Industries has a similar story but with a twist no one expected.

3. HISTORY AND PROFILE OF THE COMPANY

Let's start from the beginning. Alok Industries Ltd. based in Mumbai, India was established in 1986 as a private limited company to carry on the business of an integrated textiles solution. The company got listed in the Bombay Stock Exchange and the National Stock Exchange of India in 1993.

The organization has manufacturing facilities in Silvassa, Navi Mumbai and Vapi. Over the years, it had expanded into weaving, knitting, processing, home textiles and garments.

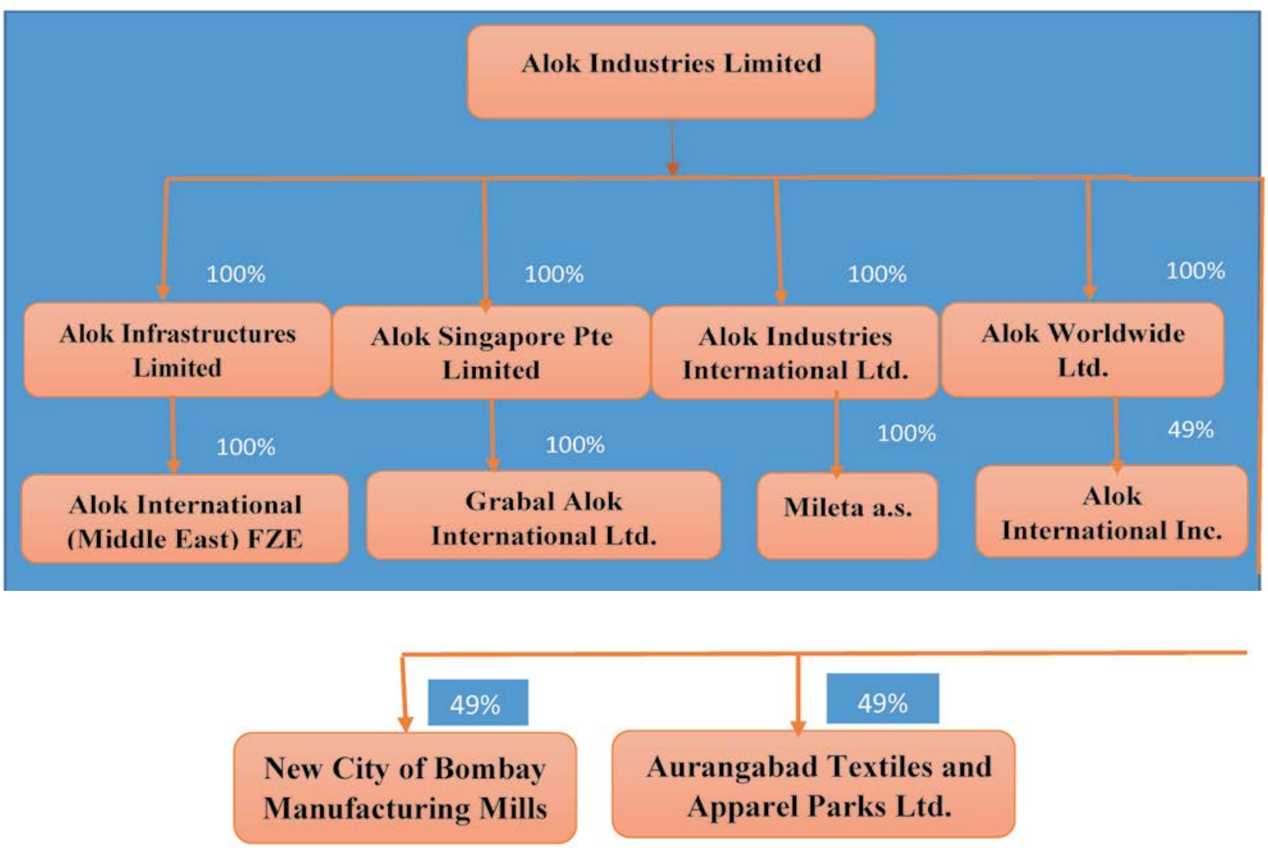
It also provides embroidered products through Grabal Alok Impex Ltd., its associate company. It evolved into a diversified manufacturer of world-class home textiles, garments, apparel fabrics and polyester yarns, selling directly to manufacturers, exporters, importers, retailers and to some of the world's top brands. The major dealings of the company involve Cotton Yarn, Garment Fabric, Home Textiles and Polyester Yarn.

Alok Industries also has an international presence in the retail segment through its associate concern, Grabal Alok (UK) Limited. This entity owns more than 200 outlets across England, Scotland and Wales for menswear, womenswear, children wear, footwear, homeware and accessories.

In addition, Alok Industries has also invested in premium commercial/residential projects across Mumbai through its wholly owned subsidiaries.

The Authorised Share Capital of Alok Industries is Rs. 4000,00,00,000/- (Rupees Four Thousand Crores) only. The paid up share capital of the company is Rs. 746,52,51,228/- (Rupees Seven Hundred Forty Six Crores, Fifty Two Lacs, Fifty one Thousands and Two Hundred Twenty Eight) only[2].

Furthermore, Alok Industries has a number of subsidiaries, associate companies and joint ventures as follows:



Source: Annual Reports of FY 2019-20 of Alok Industries Ltd.

Its 27th annual report shows a 26% of total product exports in about 90 countries around the globe.[3] Alok Industries bagged numerous awards such as 'Silver Trophy', 'Certificate of Excellence by Kohl group', etc. All these happened to be added as a feather on their hat.

4. JOURNEY OF ALOK INDUSTRIES SINCE INCORPORATION

1986	Incorporation of Company
1993	Becomes a public limited company with a Rs. 4.5 crore
1995	Sets up financial and technical collaboration with Grabal, Albert Grabher GmbH & Co of Austria to make embroidered products through a joint venture company, Grabal Alok Impex Ltd.
1996	Annual sales of Rs. 100 crores
1997	Right issue of equity shares aggregating to Rs. 14.98 crore
1998	Private placement of equity shares of Rs. 16 crore to Century Direct Fund (Mauritius).
2000	Turnover exceeds Rs. 300 crore, including export of Rs. 9 crore.
2001	Expansion initiated under Technology Upgradation Fund Scheme (TUFs) for weaving and processing capacities with investment of Rs. 225 crore.
2002	◆ Rights issue of FCDs of Rs. 51 crore. ◆ Turnover exceeds Rs. 550 crore.
2004	◆ Turnover surpasses Rs. 1,000 crore ◆ Commenced Phase I & II of expansion programme (Spinning, Weaving, Processing & garmenting) aggregating to Rs. 1,175 crore under TUFs.
2005	◆ FCCB issue of USD 35 million.

2006	◆ Texprocil silver trophy awarded for second highest export in manufacturer exporter - made ups category. ◆ FCCB issue of USD 70 million.
2007	◆ ISO 9001:2000 certification obtained ◆ Turnover reaches Rs. 1,800 crore, Export at Rs. 640 crore ◆ Domestic retail brand 'H&A' launched ◆ Embarked on expansion of Rs. 1,100 crore under phase III under TUFs
2008	◆ Turnover crosses Rs. 2,000 crore ◆ Exports crosses Rs. 1,000 crore ◆ Raised ECB of USD 90 million ◆ Acquired stake in UK retail "Store Twenty One"
2009	◆ Rights issue of Equity shares of Rs. 450 crore completed
2010	◆ Turnover touches Rs. 4,300 crore, Exports crosses Rs, 1,500 crore ◆ Qualified Institutional Placement of Equity Shares of Rs. 425 crore
2011	◆ 25 years of corporate journey completed ◆ Turnover crosses Rs. 6,300 crore, Exports reach Rs, 2,200 crore
2012	◆ Turnover crosses Rs. 8900 crores Exports reach Rs. 3030 crores.
2013	◆ Won the maximum number of Export Awards for the year 2012-2013 ◆ Export Crosses Rs. 5000 crores ◆ Rights Issue of Rs. 551 crores ◆ Domestic sales crosses Rs. 14,808 crores
2015	◆ Domestic sales crosses Rs. 18,269 crores ◆ Exports crosses Rs. 3861 crores
2016	◆ Domestic sales crosses Rs. 10,699 crores ◆ Exports crosses Rs. 1223 crores
2017	◆ Pursuant to an application made by State Bank of India, the Hon'ble National Company Law Tribunal, Ahmedabad bench ("Adjudicating Authority"), vide its order dated 18th July, 2017, had ordered the commencement of the corporate insolvency resolution ("CIR") process in respect of the company under the provisions of the Insolvency and Bankruptcy Code, 2016 ◆ Domestic sales was around Rs. 7243 crores ◆ Exports were around Rs. 1082 crores ◆ Loss before tax was Rs. 5,625 crore
2019	◆ On 08th March, 2019 NCLT approved the resolution plan submitted JM Financial Asset Reconstruction Company Ltd. and Reliance Industries Ltd.

2020	◆ The overall operations of the company continued to run at average of about 30% due to working capital constraints. ◆ Total sales of the Company increased by 1.20% to Rs. 3,166.34 crore from Rs. 3,128.76 crore in the previous year: ◆ Domestic sales increased by 3.2% to Rs. 2,385.97 crore from Rs. 2312.76 crore in the previous year. ◆ Export sales decreased by 4.4% to Rs. 780.38 crore from Rs. 816.00 crore in previous year. ◆ Operating Profit before Tax (PBT) (before exceptional items) was loss of Rs. 830.09 crore as compared to PBT (before exceptional items) loss of Rs. 4,763.96 crore in the previous year. ◆ The reported Profit after Tax (after exceptional item) for the year was Rs. 1,224.55 crore as compared to Profit After Tax (after exceptional item) of Rs. 2,283.82 crore.

5. THE RISE OF ALOK INDUSTRIES

Up till 15 years since its incorporation, the company carried on its business very smoothly in readymade garments, polyester yarns and spinning & weaving. But soon, success slipped out of its hands and Alok industries found itself on the edge of bankruptcy. Let us understand how.

In 2005, company wanted to expand their business as well as wanted to set up few new business plans. As a result they opted for two expansion plans. ***First***, they wanted to increase their spinning capacity for which they invested around Rs. 10,000 Crore rupees. These funds for investment were raised through debts. The company was very confident about their expansion plans, but there were major managerial flaws, the resources and assets of the company were underutilized, due to which there was not much rise in the profits of the company. ***Second***, next expansion was to open retail textiles stores to sell garments, both in India and outside. By this time, company officially started seeking huge losses. They launched a garment retail chain under the name '*H&A Store*' in India, they opened around 350 stores within a period of 3 years. Simultaneously, they launched similar stores in U.K as '*Store 21*', they opened around 220 stores in U.K. as well.

All these expansions were done with the help of taking debts from banks and it became difficult for company to pay such huge amount. The borrowings of the company took a whooping jump of 800% from the year 2007 to 2017. The borrowing of Rs. 3337 crore in the financial year 2007 increased to Rs. 25,506 crore in 2017.[4] In 2007, company also entered into the real estate business by acquiring commercial property through its subsidiary company-Alok Infrastructures Limited. This also required large amount of capital.

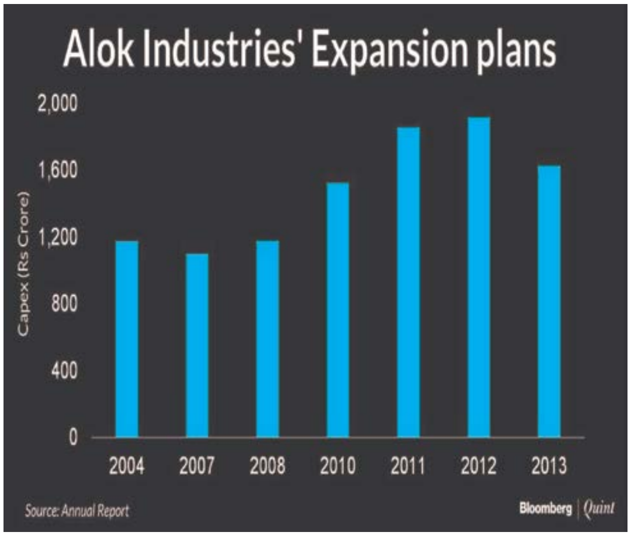
Due to poor management, these huge scale investments went in vain, both the strategies of the company failed, the profits from the retail outlets were also very poor. The company was eventually left with no other choice but to close these stores, they gradually closed almost all the stores across India and abroad.

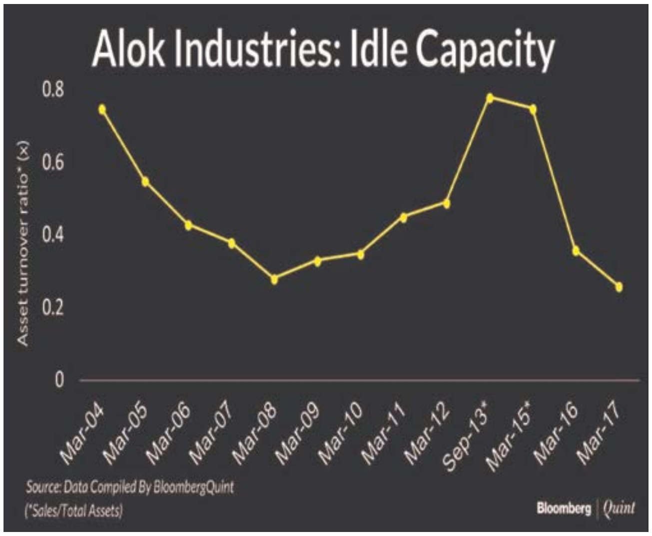
6. THE FALL OF ALOK INDUSTRIES

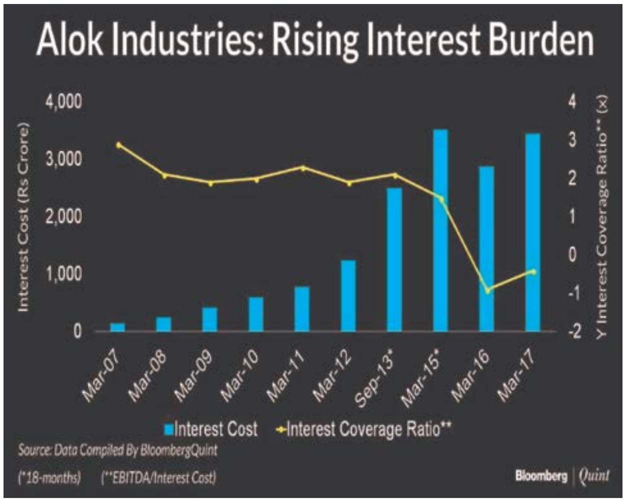
The idea of expansion was not a sound decision for the Alok industries and as it was going into losses so they decided to shut down their retail stores. So all the stores in India as well as U.K. were all closed. By the end of 2012, the closure process of the retail stores had started,[5] almost 500 stores both in India and U.K. were shut down, it was evident that the company's expansion plans had failed tremendously, but an even bigger issue was still awaiting the attention of the company *i.e.* its debts.

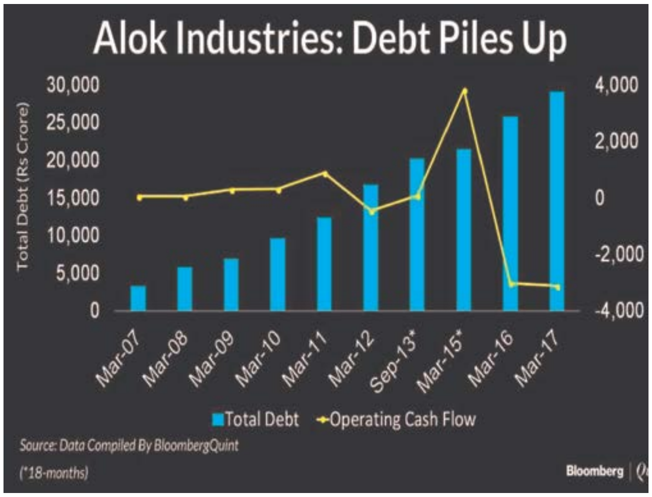
Several banks have given the debt to the Alok Industries limited such as SBI along with several other banks.

Between March 2007 till September 2013, the company saw its debt jump six times to Rs. 20,230 crore. To add to company's woes, interest rates started to rise. The company's own interest costs jumped to about 13 per cent from 7.5 per cent. This put pressure on the company's ability to service debt. Over time, interest costs became the second largest expense for Alok Industries after raw materials.









Source: Bloombergquint[6]

As the company has expanded its business by taking debt and it was becoming very difficult for the company to repay such amount. In the result of which, they incurred huge losses. In 2007, they incurred the loss of about Rs. 3337 crores and in the year 2010, they incurred the loss of Rs. 9673 crores. Like this, the debt also increased and in 2017 it incurred it to Rs. 30000 crores and accordingly, the debt amplified by 800%.

Alok Industries could not utilize its assets well. The assets turnover ratio which indicates the efficiency of deploying assets to generate revenue, remained below and declined sharply. Irrespective of the success or failure of the company's strategies and plans, the company was bound to pay back the debts along with the interest. By 2017, the company was burdened under the weight of its enormous financial debts. It took no time for the company to reach a point where the second biggest expense of the company, after raw material cost, became the cost of interest. Till 2007, because the borrowings were low, the interest cost was Rs. 142 crore, but this amount took a disastrous increase, by 2015. The interest on debts increased to Rs. 3,513 crore. This amount was unimaginably huge as compared to the size of the company. Till 2015, the net profits of the company ranged from Rs. 200 to Rs. 300 Crore, but due to the burden of debts and interest on them, the company started booking huge losses, within one year, the company moved from a profit of Rs. 258 crore (2015) to a loss of Rs. 4357 crore (2016) and another loss of Rs. 3083 crore (2017).

So in June 2017, the Reserve Bank of India released the list of 12 companies that were not able to repay the debt amount to the banks to go into the process of insolvency. Alok Industries was one of those 12 stressed accounts identified by RBI. Several banks had given the debt to the Alok Industries Limited such as SBI along with several other banks.

As on 31-5-2017, following were the amount defaulted by Alok Industries against banks[7]:

1. State Bank of India: Rs. 2218.56 crores
2. State Bank of Patiala: Rs. 309.92 crores
3. State Bank of Hyderabad: Rs. 419.20 crores
4. State Bank of Mysore: Rs. 252.63 crores
5. State Bank of Travancore: Rs. 320.04 crores
6. State Bank of Bikaner and Jaipur: Rs. 251.80 crores

The Hongkong and Shanghai Banking Corporation Limited had also filed winding up petition against Alok Industries before the Hon'ble High Court of Bombay in 2016. However, such petition was not admitted.

7. REASONS FOR FINANCIAL STRESS

Issues	Financial Stress
Expansion in Spinning	As the company was very sure about the spinning business but there were few points which was a shortfall as the Alok industries' spinning business was underutilized and then also they have expanded their spinning capacity. They were not able to utilize the assets properly. Analyst also said Alok Industries invested in the spinning business which already had excess capacity in India, therefore the same could not generate a commensurate revenue for the company.
Diversification gone wrong	Apart from expansion, company also get into new business ventures. It opened retail stores in India and U.K. in the name of H&A and Store 21. It also entered into real estate sector through incorporating its subsidiary company- Alok Infrastructures Limited, wherein also huge capital was locked up.
Expansion of business by taking debts	The company begged huge loans from banks to support all expansion and investment activities. These loans grew with time and so did the cost of interest. Alok Industries expanded its borrowings around Rs. 30000 crore and this placed the company in the radar of RBI. Accordingly, RBI included Alok Industries in the list of 12 stressed accounts which RBI asked banks to refer to the NCLT for initiating insolvency proceedings.

Textile industry, by nature is very volatile, sometimes there is huge demand, and suddenly there is none. At the time, when Alok industries were already trying to make up for its past mistakes, it went on to make blunders. This company entered into the real estate sector in 2007. They set foot in the retail markets through H&A and Store 21.[8] This trail of losses, market competition, operational inefficiency & internal mismanagement led to shutting down of most of the retail sector. When the company actually realized that it is making losses, it was deeply drowned by debts. Alok industries due to mismanagement was blindly borrowing huge amounts and investing.

It is pertinent to understand what led to the company defaulting their loans, borrowing money from banks and investing them into operations, it became a huge problem when such investments do not yield good sales thereby leading to profits. If we analyze the data below in *Table 1*, it will be evident that the sales of the company on March 2007 was Rs. 1,806 Cr. It kept on increasing steadily till March 2017, but just the next year in 2018 we see a huge drop. The sales dropped from Rs. 24,153 Cr. in 2015 to Rs. 12,924 Cr. in 2016, and further to Rs. 8,723 Cr. in 2017. Simultaneously, we see the borrowings increase from Rs. 3,337 Cr. in 2007 to Rs. 25,506 Cr. in 2017. This had a major impact of the profitability of the business. The profits drastically fell from Rs. 165 Cr. in 2007 to a loss of Rs. 3,083 Cr. in 2017. This led to continuous default in loan installment payments. The company was not even in a position to pay back the interest amount of the loan let alone the principal amount. This was basically a case of extremely high expansion, not backed by a strong revenue growth. The lenders were definitely not going to be quite.

Table 1

March	Borrowings	Interest	Sales	Net Profits
2007	3,337	142	1,806	165
2008	5,834	252	2,234	190
2009	6,956	418	3,021	74
2010	9,673	599	4,327	138
2011	12,123	782	6,615	312
2012	16,050	1,235	9,785	93
2013	19,932	2,814	21,388	297
2015	18,009	3,513	24,153	258
2016	22,037	2,874	12,924	-4,357
2017	25,506	3,442	8,723	-3,083
2018	27,415	4,711	5,514	-18,580

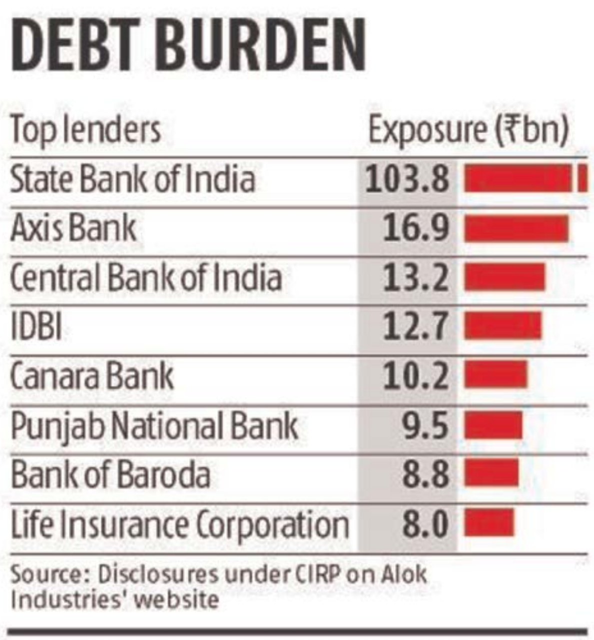
Source: www.screener.in

8. CORPORATE INSOLVENCY RESOLUTION PROCESS

On the 12th of June 2017, the Internal Advisory Committee (IAC) of the RBI identified 12 accounts that covered about 25% of the banking systems non-performing assets, for immediate resolution under the Insolvency and Bankruptcy Code. The IAC directed the lender Banks to refer to the Insolvency and Bankruptcy Court for all accounts with total outstanding loans amounting to more than INR 5,000 crore, with at least 60% classified as non-performing by banks as on March 31, 2016.[9]

State Bank of India (SBI), the lead bank initiated the insolvency proceedings against Alok Industries in June 2017. The company owed the lenders a total of 30,000 crore. The Ahmedabad bench of the National Company Law Tribunal (NCLT) admitted the State Bank of India's insolvency petition, appointing Mr. Ajay Joshi as the Interim Resolution Professional (IRP) for insolvency proceedings. A case for liquidation was already pending before the Bombay

HC, prior to SBI's application. Industrial and Commerce Bank of China (ICBC) even sought dismissal of the insolvency proceedings, but to no avail, as Section 238 of the Insolvency and Bankruptcy Code (IBC), 2016, prevailed over the former as a subsequent Act.[10] By December 2017, the Insolvency Professional supervising the bankruptcy process of the company had to call for fresh bids to resolve the Rs. 29,000 Cr. default. Among the 12 NPA Accounts listed by the RBI's IAC, Alok Industries was the only company that did not receive any bids when the insolvency professional invited Expression of Interest (EoI).



By June 2018, Reliance Industries Ltd.(RIL) along with JM Financial Asset Reconstruction Company (ARC) managed to get the approval of the lenders, striking the deal for Rs. 5,050 Cr. out of which Rs. 4,550 Cr. were supposed to be given to the lender banks, and Rs. 500 Cr. to be invested in the company. RIL acquired a stake of 37.7% for Rs. 250 crore and JM Financial 6.15% in Alok Industries as part of resolution plan[11]. The Banks had to take a haircut of around 86%.

The CoC had no intentions to accept such an offer, one of the earlier joint resolution plan had been rejected by the CoC in April 2018. This second round of voting was done because 270 day deadline to resolve insolvency causes under the IBC had passed, and the company was set to be sent for liquidation.[12] Fearing that liquidation would lead to erosion of value and a loss of livelihood, the employee's trust of the company and other operational creditors had filed an interlocutory petition in NCLT, Ahmedabad. Thereafter, on the direction of the tribunal, the Resolution Professional asked the CoC to reconsider the new resolution plan.[13]

In the case of Alok Industries, banks recovered only Rs. 5,000 crore against claims of close to Rs. 30,000 crore. Following is the flow of events of the case before the NCLT, Ahmedabad:

SBI filed a section 7 application seeking initiation of CIRP process against Alok Industries Ltd.

On 18.07.2017, NCLT, Ahmedabad Bench admitted the application and appointed Mr. Ajay Joshi as IRP

On 19.07.2017, IRP so appointed made public announcement as per section 15 of the Code calling upon the claims from creditors

On verification, the admitted amount of claim of CD stood at Rs. 29, 523 crores

On 16.08.2017, Ist meeting of COC was convened wherein IRP was appointed as RP and EOI were invited from prospective resolution applicants. Last date was 09.03.2018

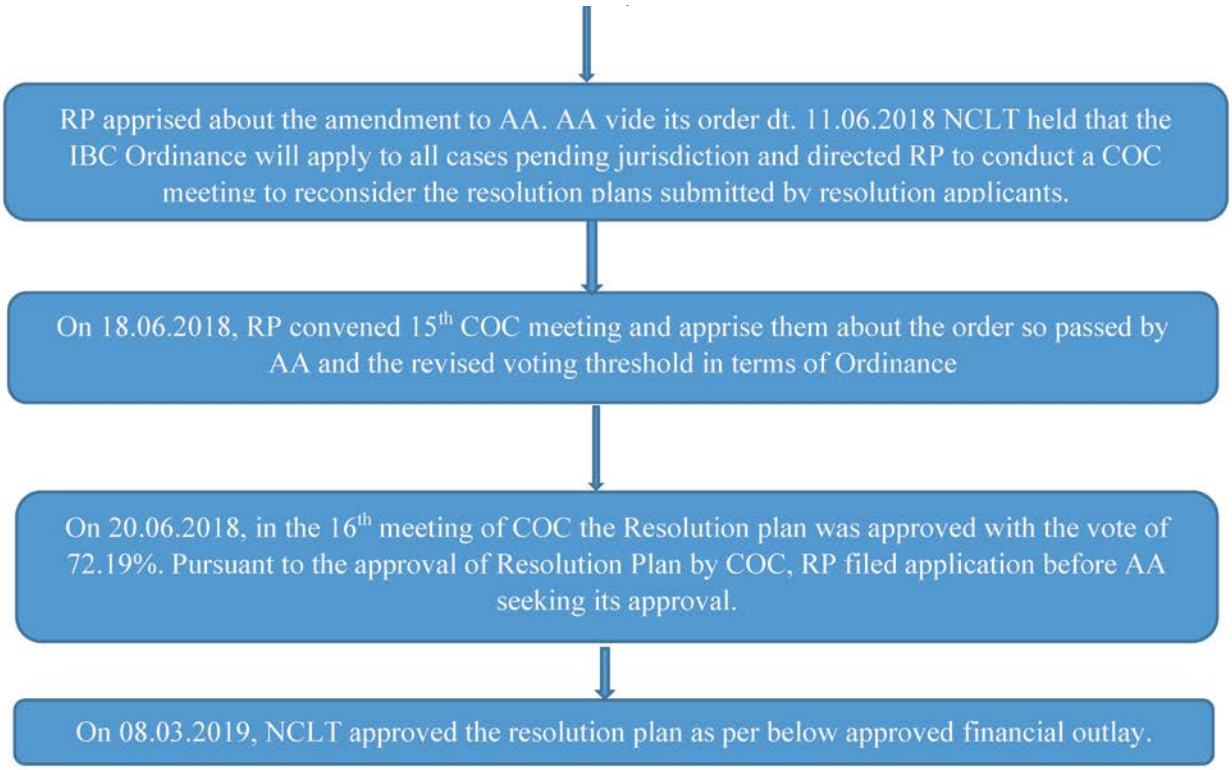
RP received a joint resolution plan dated 27.03.2018 from JM Financial Assets Reconstruction Ltd and Reliance Industries Ltd.

On 10.04.2018, in the 13th meeting of COC, the said Resolution plan was not approved by COC as the requisite percentage was 75% and Resolution plan received the assent from 70.28% creditors

On 14.04.2018, CIRP period got expired and since no resolution plan could get approved RP filed application for liquidation under section 33

While application for liquidation was pending before the AA, On 06.06.2018 Government promulgated the IBC(Amendment) Ordinance, 2018 inter alia introduced amendment in section 30 of the Code to reduce the threshold of 75% approval to 66% of voting share of financial creditors.

In pursuance of said amendment, RP received letters from Resolution applicants to withdraw the liquidation application and file an application to approve the Resolution plan



9. SEQUENCE OF EVENTS OF CIRP PROCEEDING BEFORE NCLT

The thumbnail sketch of the sequence of events of CIRP proceedings before NCLT according to the orders passed in the Insolvency Process of Alok Industries by the NCLT are set out hereunder.

Order Dated	Order Passed by	Brief of the Order
18th July, 2017	NCLT, Ahmedabad	A Petition under section 7 of the IBC was filed by the State Bank of India against Alok Industries on the direction of the RBI via its letter dated 15th June 2017. The HSBC Bank had also filed winding up petition against Alok Industries before the Hon'ble High Court of Bombay in 2016. However, the petition was not admitted. One of the controversies in this order of admission was whether the tribunal can entertain the petition despite the pendency of a winding up petition before the Hon'ble High Court of Bombay. But Section 238 of the code came to a rescue, it was held that the provisions of this code have overriding effect over any law which is inconsistent with the provisions of the code. Also since no winding up order had been passed by the concerned High

Order Dated	Order Passed by	Brief of the Order
		Court, the Tribunal deemed it fit to maintain the application before it. Adjudicating Authority basing on material available on record, concluded that there exists default and a default had occurred in repayment of the financial debt. The AA admitted the application under section 7 sub-section 5(*a*), appointing Mr. Ajay Joshi as the IRP under section 13(1)(*c*) of the Code.
24th October, 2018	NCLT, Mumbai	A petition was filed against Alok Infrastructures Ltd., a subsidiary of Alok Industries Ltd., by Axis Bank under section 7 of the IBC on the ground that Alok Infrastructures defaulted in making payment of Rs. 100,32,11,439/- including interest. NCLT admitted the petition basis the records filed by the creditor.
1st November, 2018	NCLT, Ahmedabad	An IA filed for withdrawal of 298/2018 in view of the NCLAT order wherein the Hon'ble appellate court observed that clause (*b*) and (*c*) of the regulation 38(1) are inconsistent with section 240(1) of the IBC, 2016. Further it was observed that any resolution plan which provides liquidation value to the Operational/Financial Creditor(*s*) in view of the said regulations without any other reason to discriminate between two set of creditors similarly situated cannot be approved being illegal. In this view the prayer for withdrawal of IA 298/2018 was allowed. It was further ordered that all the dissenting financial creditor shall be paid in proportion to their respective value of the outstanding debts, in the same manner as the assenting member.
4th January, 2019	NCLT, Ahmedabad	An application was filed under section 60(5) of the Code, by IDBI Bank (one of the financial creditors), against the provisions Resolution Plan stating the same to be self-contradictory. The applicants had voted against 2 resolution plans earlier. After the Amendment to the Code whereby required majority of voting share was reduced to 65%, the Employee's Welfare Trust of the Corporate Debtor filed an Interim Application requesting to reconsider the Resolution Plan. In the 16th Meeting of the CoC the said Resolution Plan was Approved on 21-6-2018 by 73.19%. IDBI Bank had alleged that the Plan seeks to curtail the rights of IDBI over the securities created by the third party security provider as the amount to be recovered is restricted to Rs. 10 Crore only, thereafter it would be assigned to the ARC Trust. It was later held that Sections 3 and 7, does not amount to a waiver by Financial Creditor of any of their claims against subsidiaries. It was observed that there is no ambiguity in the resolution plan and INR 10 Crore is just a commercially agreed cap in terms of enforcement of security over immovable properties of the 3rd party.

Order Dated	Order Passed by	Brief of the Order
8th March, 2019	NCLT, Ahmedabad	An Interim Application No. 259 of 2018 was filed for approval of the Resolution Plan under section 30(6) r/w section 31(1) of the Code r/w Reg. 39(4) of the IBBI (Insolvency Resolution Process for Corporate Persons) Regulation, 2016. A lot of Intervention/Interlocutory Applications were filed with various grievances. It was observed that these applications were filed after the application for approval of Resolution Plan was filed by the Resolution Applicants. These applications were filed at such a belated date, that their claims did not seem *bonafide*. The court while rejecting these applications observed that these applicants were well aware of their fate and position but none of them approached the AA on the date of Approval of the Plan. This application approved the Resolution Plan with immediate effect, allowing IA 259/2018 and dismissed all the other IAs.
26th July, 2019		An I.A. No. 320/2019 was filed by the Applicant under section 60(5) of the Code, seeking clarifications/rectifications of the typographical errors in the Order dated 8th March 2019. The court found that there are certain typographical errors due to inadvertence, which were rectified, *vide* the said order.
24th October, 2019	NCLAT	A Company Appeal (AT) no. 1093/2019 was filed after 191 days. It was brought to the notice of the court that the said appeal is barred by limitation. The appellants did not appear before the court during the previous hearings. The court resultantly held that it cannot condone the delay beyond 15 days, and are not inclined to adjourn the matter.

10. PERFORMANCE OF THE COMPANY BEFORE, DURING AND POST CIRP PROCESS

The table below highlights the financial performance of Alok Industries in the last five years:

(Amount in Rs. crore)

	Post CIRP		During CIRP		Pre-CIRP
Particulars (in Crs.)	**2021**	**2020**	**2019**	**2018**	**2017**
Revenue	3,735.32	3,166.34	3,128.76	5,381.95	8,326.06
Other Income	21.66	85.19	124.32	236.31	165.69
Total Income	3,756.98	3,251.53	3,253.08	5,618.26	8,491.75
Expenditure	-7,903.43	-1,499.62	-438.69	-23,294.87	-13,605.10
Interest	-472.72	-98.57	-4,158.00	-4,682.87	-3,273.52
PBDT	-4,146.45	1,751.91	2,814.39	-17,676.61	-5,113.35
Depreciation	-285.43	-529.45	-533.17	-527.81	-512.62

	Post CIRP		During CIRP		Pre-CIRP
Particulars (in Crs.)	**2021**	**2020**	**2019**	**2018**	**2017**
PBT	-4,431.88	1,222.46	2,281.22	-18,204.42	-5,625.97
Tax	-1,423.11	0.73	0.91	-11.19	2,123.54
Net Profit	-5,854.99	1,223.19	2,282.13	-18,215.61	-3,502.43
Equity	496.53	221.08	1,368.64	1,368.63	1,357.87
EPS	-15.68	8.45	16.67	-134.14	-25.80
CEPS	--	--	20.57	-129.24	-22.02
OPM %	-111.01	55.33	89.95	-328.44	-61.41
NPM %	-156.75	38.63	72.94	-338.46	-42.07

Source: BSE

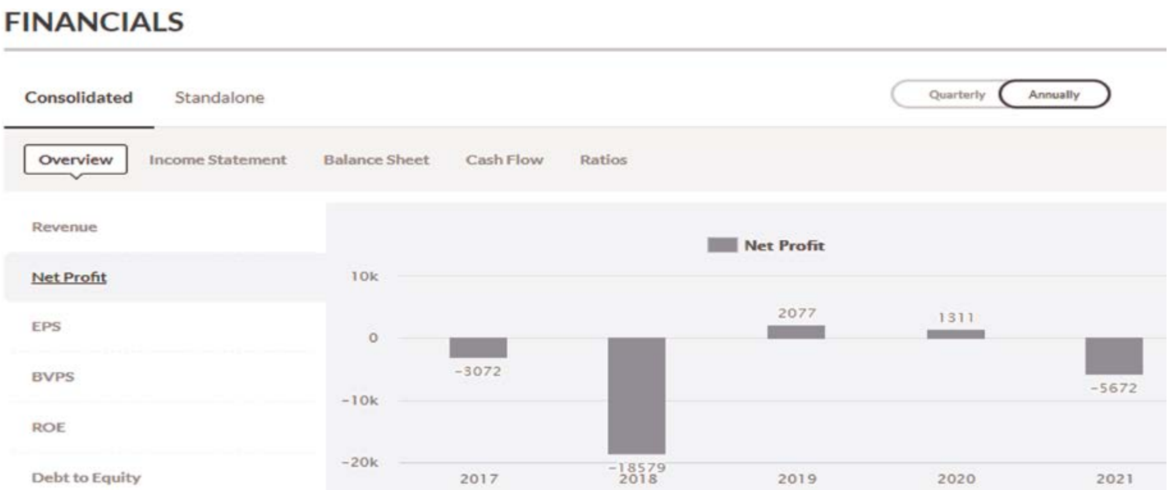
As the company was earning profit till 2015 but after that, the company was earning losses continuously till 2018. In 2019, the company earned profit because of exceptional items. In 2020 also, the company did not earn profit and for the first three quarters, the company had suffered a loss of a huge amount. Textile firm Alok Industries reported a consolidated net loss of Rs. 500.11 crore for the quarter ended March 31, 2021. The company had reported net profit of Rs. 1,790.87 crore of the corresponding quarter a year ago. Total income during the quarter under review stood at Rs. 1,478.63 crore, up 95.04 per cent, as against Rs. 758.11 crore reported in the same quarter a year ago.[14] The company reported exceptional gain of Rs. 2,052.55 crore in January-March 2020, on account of debt resolution plan.

Net Loss of Alok Industries reported to Rs. 92.44 crore in the quarter ended June 2021 as against net loss of Rs. 10192.80 crore during the previous quarter ended June 2020. Sales rose 254.04% to Rs. 1223.07 crore in the quarter ended June 2021 as against Rs. 345.46 crore during the previous quarter ended June 2020.[15]

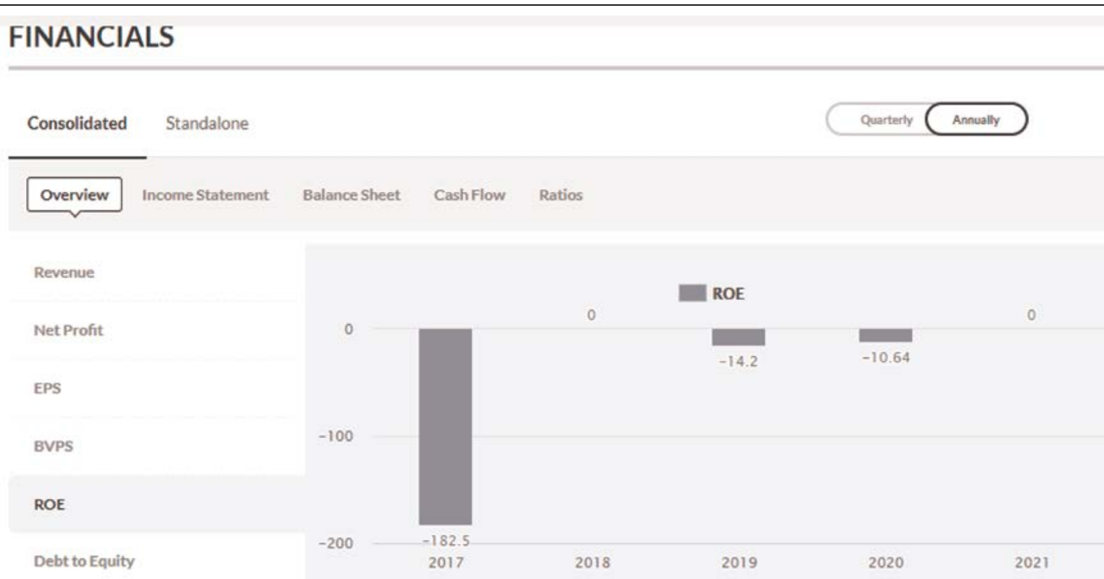
11. DURING CIRP-2019

The joint Resolution Plan of JM Financial Assets Reconstruction Ltd and Reliance Industries Ltd for the Company had been approved by the Adjudicating Authority. After the approval of the Resolution Plan, a monitoring committee was formed w.e.f 12th march, 2019 to manage the affairs of Alok Industries as a Going Concern. The resolution plan proposed reduction of the Company's share capital without any payout to the shareholders, by reducing the face value of each issued and outstanding equity share. Interest on the borrowings accrued for the period from 2017-2019, amounting to Rs. 7045.19 crore was derecognized. Arising out of this adjustment, the Company recorded a total comprehensive Income of Rs. 2283.02 Crore for the year ended 31st March, 2019. The Company's accumulated losses amounted to Rs. 15658.54 Crore. Total liabilities of the Company as on 31st March, 2019, exceeded total assets by Rs. 12922.11 Crore.

Source: moneycontrol.com[16]



Source: moneycontrol.com



Source: moneycontrol.com

INSIGHTS

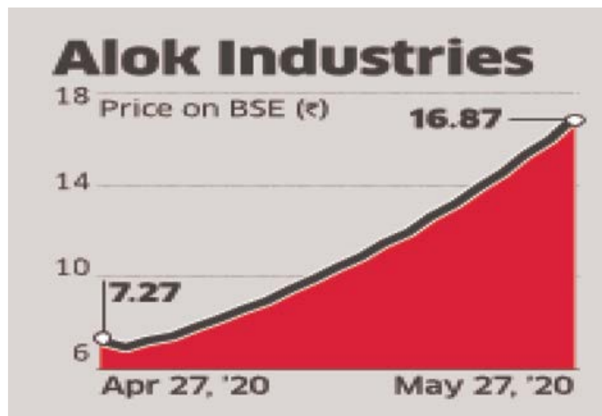
Revenue from operations for the period up till June, 2017 included excise duty, which is discontinued with effect from 1st July, 2017 upon implementation of Goods and Service Tax (GST) Act. The revenue in 2019 saw a steep fall since 2017 as the company's level of operations during that time period was at 30% capacity only. The net profits did see a positive figure during this period even during the Company went through the CIR Process. The Return on Equity (ROE) also saw a great positive change from -183 in 2017 to -14 in 2019. For better understanding please refer to the Graphical representation of Revenue, Net Profits and ROE hereinabove.

As there was no bid for the Alok Industries as there was no such progress in the company so Mukesh Ambani's Reliance Industries along with JM financial decided to takeover Alok industries limited at a bid of Rs. 5050 cores out of which Rs. 4550 crore had been paid to the banks from which the lot industries have taken the loan and remaining 500 crore were to be invested in the company. Hence, that's how in the restructuring process banks suffered loss of Rs. 25000 crore, which was around 86% haircut. As a result of which, the Reliance Industries got 37.7% stakes in Alok industries and JM financial got 6.15% stakes in Alok industries. And remaining stakes are in the hands of the public and entities.

12. POST CIRP (2020-21)

The Mumbai-based Alok Industries was acquired by Reliance Industries along with JM Financial Asset Reconstruction Company in 2019 after the Ahmedabad bench of the National Company Law Tribunal (NCLT) had in March 2019 approved their bid for Rs. 5,050 crore.

In the process of restructuring, the company got delisted from the stock exchange. But on 27 February 2020, the company got listed on the stock exchange after it was taken over by the Reliance and JM financials at Rs. 14/- per share. But due to the pandemic COVID-19 which has spread throughout the country and has disturbed several sectors of the economy, the price of the share of Alok Industries also falls at Rs. 4/- per share.



Source: Economic Times

The Company recorded a total comprehensive income of Rs. 1224.55 crore for year ended 31st March, 2020.

Further, due to the outbreak of Corona virus Disease (COVID-19), the company had to temporarily suspend operations. Alok Industries had informed exchanges earlier that it had shut its manufacturing units and offices from March, 2020 due to Covid-19. But after the production resumed at some places of production, the company did see increased revenue generated in the year. Net profits also increased considerably. The Company's operations and revenue during the period were impacted due to Covid-19 and also due to the fact that the capacity utilization over the past few years have been in the range of 25-30%. With the new business plan in place, there was a focus to increase the capacity utilization gradually in a phased manner.

To gather a better understanding of the performance of the Company, a comparative chart of some financial ratios is produced below:

	Post CIRP		During CIRP		Pre-CIRP
	2021	2020	2019	2018	2017
Basic EPS	**-15.68**	**8.45**	**16.67**	**-134.15**	**-25.79**
Revenue from Operations/Share (Rs.)	7.52	14.32	22.86	38.97	59.87
PBDIT/Share (Rs.)	-0.87	-0.91	-0.53	-94.95	-13.55
PBIT/Share (Rs.)	-1.45	-3.31	-4.43	-98.81	-17.32
PBT/Share (Rs.)	-8.93	5.53	16.67	-133.02	-41.43
Net Profit/Share	**-11.79**	**5.53**	**16.67**	**-133.11**	**-25.79**
Enterprise Value (Cr.)	32,604.37	28,426.84	23,402.78	24,634.48	22,669.61
EV/EBITDA (X)	-75.36	-140.68	-321.47	-1.90	-12.32
Market Cap/ Net Operating Revenue (X)	2.68	0.27	0.19	0.08	0.05
Price/Net Operating Revenue	2.68	0.27	0.19	0.08	0.05
Earnings Yield	**-0.59**	**1.41**	**3.75**	**-44.52**	**-8.68**

Table 2- Source: www.screener.in; Source: Economic Times

Looking at the aforementioned ratios, it is evident that Earnings Per Share since 2017 has definitely travelled a path towards betterment. The profitability of the company has drastically increased since 2018 from -134 EPS to 2020 recording 8.45 EPS. The Net operating Revenue was also increased from 0.08 in 2017 to 2.68 in 2021. The earning yield has also increased from a negative 44.5 in 2017 to a positive 1.4 in 2020. This is definitely due to the increase in revenue and Net Profits during that period.

13. CONCLUSION AND RECOMMENDATION

The Adjudicating Authority is quite clear in its terms when it comes to the compliance with the objectives of the Insolvency and Bankruptcy Law in India. It was by April 2020, that the lenders received their monies from RIL and JM Financials Ltd for Alok Industries Resolution.

Looking at this case, it is evident how serious our Tribunals are about long term aims and essence of the Code. Very efficiently the AA highlighted the importance of resolution above liquidation, taking the Apex Courts decision in the matter of *K Sashidhar* v. *Indian Overseas Bank & Ors.* as the precedent. The NCLT in this matter, very efficiently accentuated the fact that priority is to be given to the resolution and not liquidation. Liquidation is never in the larger interest of public, workmen and stakeholders directly related to the corporate debtor, it should always be the last resort. Resolution is a Rule and Liquidation is an Exception.

The Resolution Process of Alok Industries was quite a roller coaster ride for everyone related to the process, it brought about better understanding of the IBC and resulted in the achievement of its aims. It is the result of this that we are witnessing a betterment in the health of the company. The company had seen days as bad as getting delisted from the BSE, it got relisted at Rs. 14 per share and dipped to Rs. 4 per share in March 2020, due to the Covid-19 Outbreak.

Also, due to the nature of business being in textiles, the company had seen a great business opportunity of using its resources in the production of PPE Kits and masks being greatly in demand as an essential tool to fight against the Covid-19 Pandemic.[17] When this pandemic COVID-19 has spread and also the deficiency of PPE kit and masks has been observed and it was taken into consideration by Mr. Mukesh Ambani to start the business of manufacturing PPE kits for the doctors as India was importing it from china at Rs. 2000/- per kit. So to revive Alok industries from the losses, they decided to manufacture PPE kits for doctors at lowered prices so Alok industries (Silvassa plant) started manufacturing PPE kits. Most of the manufacturing units of Alok Industries had to be shut down during this time but later the management decided to produce PPE Kits. After that the Alok industries started increasing the production of PPE kits and gradually started manufacturing more than one lac PPE kits per day.

This was an opportunity for the management of Alok Industries before January 2020. The PPE Kits that were available in India were being imported from China at very high costs and poor quality. The management employed 10,000 workers at their Silvassa Plant just to focus on manufacturing PPE Kits. The share prices of the company has seen a sudden jump within a very short period, there was an upper circuit also imposed by the market regulator. At present, the Share Price is at an average of Rs. 24 per share. India reduced import of PPE kits from china and started manufacturing its PPE kits in its own countries at the lesser amount that is Rs. 650/- and almost 15-18% of the PPE kits are manufactured by Alok industries itself so they cover the large market share in case of manufacture of PPE kits'.

So like this, the reliance industries took over Alok industries, and because of which share price of Alok industries also got affected. The name Reliance itself has hyped up the whole scenario. With the assistance of such a company, Alok industries will soon be placed once again on the ladder of fortune and success. The company is indeed in better hands despite all the unfavourable circumstances in the economy.

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