

FINANCING ARRANGEMENT LIKELY BY MONTH-END

RIL in Talks for ₹5,000-cr Loan to Take over Alok Ind

Co in talks with SBI, HDFC Bank and ICICI Bank for long-term loan facility to acquire textile company

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Mumbai:

Reliance Industries Ltd (RIL), India's biggest company by market value, is in negotiations with three top banks for a ₹5,000 crore long-term loan facility to fund its acquisition of textile company Alok Industries in a bankruptcy takeover.

RIL is in talks with State Bank of India (SBI), HDFC Bank and ICICI Bank for financing, four people familiar with the company's plans said. RIL won the right to buy Alok Industries in the Insolvency and Bankruptcy Code (IBC) process in March this year.

RIL, SBI, ICICI Bank and HDFC Bank did not respond to ET's queries.

The Ahmedabad bench of the National Company Law Tribunal (NCLT) had approved the sole RIL bid, made together with JM Financial Asset Reconstruction Co, which had promised to pay ₹5,050 crore to take over Alok. However, banks are still waiting for the amount. The liquidation value of Alok was ₹4,500 crore.

"RIL... has decided to borrow from banks and spend. It is in negotiations with SBI, HDFC Bank and ICICI Bank, which is one reason for the delay. We have approached National Company Law Appellate Tribunal to expedite the process and also written to the company to make the payment quickly," said one of the people cited above.

SBI, the lead bank, had initiated insolvency proceedings against Alok Industries in June 2017. It was among the 12 accounts with outstanding loans greater than ₹5,000 crore that Reserve Bank of India (RBI) asked banks to refer to NCLT .

IBC to be Amended to Protect Acquirers

The Centre is set to amend the insolvency law to shield new owners of bankrupt companies from criminal liabilities pertaining to the period before their takeover. [»9](#)

The corporate affairs ministry is likely to move NCLT, seeking nod to look into CG Power's books for the past five years, report [Kala Vijayraghavan & Rashmi Rajput. »11](#)



Deal Fabric

RIL-JM Financial ARC joint venture was awarded Alok Industries in March by Ahmedabad NCLT

The JV offered **₹5,050 CR** while the liquidation value of the company was **₹4,500 crore**

RIL wants to fund this acquisition through bank loans

Financial creditors of Alok Industries are uneasy with the delay of payment from RIL

Illustration: ANIRBAN BORA

MCA to Seek NCLT Nod to

Review CG Power Books

‘SBI has Sanctioned ₹1,800 crore’

Silvassa-based Alok Industries is a fully integrated textile

company with a presence in the cotton and polyester segments. The company owes lenders a total of ₹30,000 crore, which means banks are taking a collective haircut of 83%.

“SBI has sanctioned ₹1,800 crore for this loan. But ICICI and HDFC are yet to take a decision. RIL credit is top rated and these banks have supported the company before. Let us see how long they take to decide,” said the second person cited above.

Neither HDFC Bank nor ICICI Bank is listed as a financial creditor on the Alok Industries website.

OFFTAKE GUARANTEE

“RIL is offering an ‘offtake’ guarantee through Alok Industries, which means a promise to take the company's supplies. But it is not giving a clear corporate guarantee which many banks are not comfortable with,” said a third person.

The majority of the Rs 30,000 crore dues are to financial creditors, with the company owing Rs 624 crore to operational creditors. Some litigation involving the company is pending, such as IDBI Bank’s case over a property mortgaged by group company Alok Infrastructure.

“Those cases can be managed by putting that amount in an escrow account until resolution, and in the meanwhile, decide on the remaining amount. We just want to get our money and move on,” said the third person cited above.

ET reported last month that the Securities and Exchange Board of India (Sebi) had denied RIL a waiver on delisting the shares of Alok Industries. The Alok Industries bankruptcy resolution professional had set a five-year moratorium on delisting shares while calling for expressions of interest. RIL had wanted an exemption.

Some bankers are hopeful that the deal will be closed by year-end.

“It is only a matter of time that RIL manages to get the loans. We expect it to happen before the end of this month,” said a fourth person familiar with the negotiations.

Chairman Mukesh Ambani had announced plans in August to sell stakes in RIL’s oil and chemical business to Aramco and in a fuel retail network to BP Plc for a combined ₹1.15 lakh crore amid plans to make it a zero-net debt company by March 2020. As part of this strategy, RIL said in October that it

will set up a new subsidiary to bring all its digital initiatives and apps under a single entity, and infuse ₹1.08 lakh crore equity into this new unit.

Earlier this month, Alok Industries said its net loss shrank to ₹153 crore in the September quarter from ₹1,367 crore a year earlier, while sales declined 9% to ₹811 crore.

