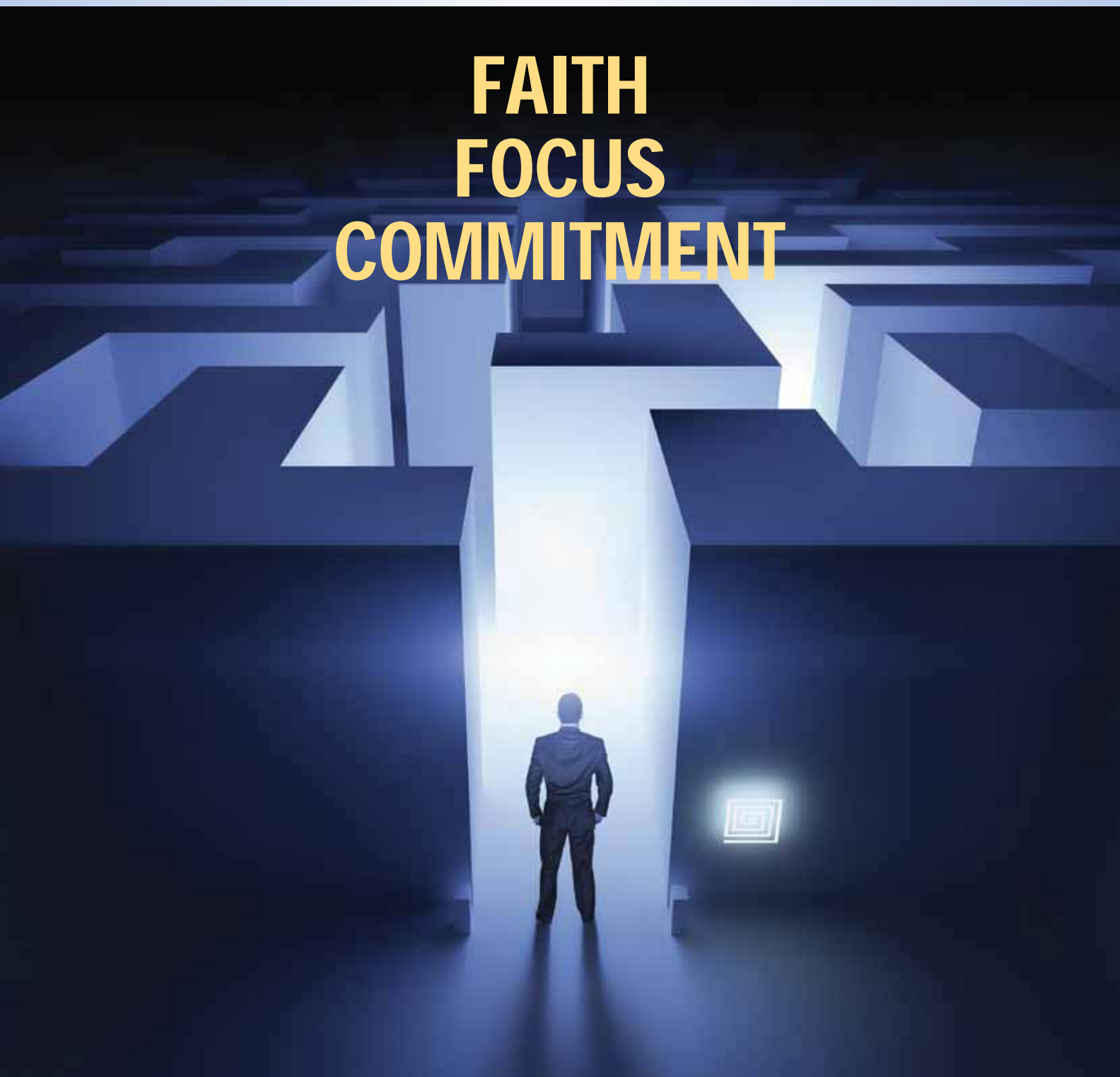


29th  
Annual  
Report  
2015-16

# FAITH FOCUS COMMITMENT



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# FAITH FOCUS COMMITMENT



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There are times during every journey when our faith in our own resolve is tested. The road climbs uphill, the terrain becomes difficult, we fall and we rise.

---

At that point, we need to focus, and reiterate our commitment to re-start our journey to reach the destination with new experience, wisdom and a burning desire to conquer once again.

Our company is passing through challenging times. It was marred by over leveraging of debt, rising interest cost, non-conducive external environment and long gestation and non-performance of some of the businesses, all of which were blockades in realisation of the true potential of the core asset i.e. textiles. But at the same time, this challenging period has provided us with harsh truths and lessons which will keep us on the right path going forward.

In our journey so far of around three decades, there are quite a few positives though; Alok Industries has become one of the largest textile companies in the country, with world-class manufacturing capabilities, an extensive export network, and a portfolio of clients consisting of top brands.

**We have faith in our ability to pull through this crisis. We have focussed on regaining our premier position in the Indian textile industry. We have the commitment to work tirelessly to reach our goals and regain the confidence of all the stakeholders.**

# ALOK INDUSTRIES AT A GLANCE

## Complete Textile Solutions

Global Scale,  
Innovation,  
Quality, Competitive  
Cost, and Delivery  
Efficiency



We are India's largest fully integrated textile company with a dominant presence in the cotton and polyester value chain. We are well-supported by sound infrastructure, in-house Research & Development, design capability, environmental compliance and motivated work force.

### Alok offers solutions across

- ▀ Cotton Yarn
- ▀ Apparel Fabric
- ▀ Home Textiles
- ▀ Garments &
- ▀ Polyester Yarn

**4 manufacturing locations in India in Silvassa, Vapi, Navi Mumbai and Bhiwandi**

**Close to 20,000 employees**

**Exporting to over 90 countries across USA, Europe, Latin America, Asia and Africa**



## Alok's USP

- ▀ We have focussed on world-class infrastructure, best-in-class technology, uncompromising quality standards and dynamic product innovation
- ▀ Our competitive pricing, customer-first approach and our ability to handle large quantities in record timelines has earned us the position of trust in the eyes of the global retailers, importers and brands
- ▀ Our focus on value addition and our emphasis on R&D has enabled us to offer innovative textile solutions at a scale that is truly global





## Our Vision

To be the world's best integrated textile enterprise, driven by research & innovation, with a leadership position across products & markets, while exceeding customer & stakeholder expectations. The barometer of our success would be the ROCE.

## Our Mission

### We will:

- ▀ Be a knowledge leader & an innovator in our businesses
- ▀ Maximise people development initiatives
- ▀ Optimise use of all resources
- ▀ Become a process-driven organisation
- ▀ Exceed compliance and global quality standards
- ▀ Actively explore potential market and products
- ▀ Offer innovative, customised and value-added services to our customers
- ▀ Be an ethical, transparent and responsible global organisation

## Our Values

- ▀ Customer Satisfaction
- ▀ Passionate About Excellence
- ▀ Develop Human Capital
- ▀ Fair to All
- ▀ Concern for the Environment and the Community
- ▀ Safety and Health
- ▀ Responsible Corporate Citizen



## GENERAL INFORMATION

### Working Capital lenders

- Allahabad Bank
- Andhra Bank
- Axis Bank Limited
- Bank of Baroda
- Bank of India
- Bank of Maharashtra
- Canara Bank
- Central Bank of India
- Corporation Bank
- Dena Bank
- Export Import Bank of India
- Indian Bank
- IDBI Bank Limited
- Indian Overseas Bank
- Kotak Mahindra Bank Limited
- Oriental Bank of Commerce
- Punjab National Bank
- State Bank of Bikaner & Jaipur
- State Bank of Hyderabad
- State Bank of India
- State Bank of Mysore
- State Bank of Patiala
- State Bank of Travancore
- Syndicate Bank
- The Jammu & Kashmir Bank Limited
- The Karur Vysya Bank Limited
- UCO Bank
- United Bank of India
- Union Bank of India
- Vijaya Bank

### Other lenders

- Bank of Bahrain & Kuwait
- Barclays Bank
- DBS Bank
- Dombivli Nagari Sahakari Bank Ltd.
- ICBC
- IFCI Limited
- Landesbank Baden Wurttemberg
- Life Insurance Corporation Of India

- Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. (FMO)
- New India Co-op Bank Ltd.
- Norddeutsche Landesbank Girozentral
- Saraswat Co-Op Bank
- SICOM Ltd.
- SIDBI
- State Bank of Mauritius
- The Federal Bank Ltd.
- VTB Capital

### Statutory Auditors

- 1) Shah Gupta & Co.  
Chartered Accountants
- 2) NBS & Co.  
Chartered Accountants

### Internal Auditors

- Bhandarkar & Co.  
Chartered Accountants
- Devdhar Joglekar & Srinivasan  
Chartered Accountants
- N.T. Jain & Co.  
Chartered Accountants
- HPVS & Associates  
Chartered Accountants

### Legal Advisors & Solicitors

Oasis Counsel & Advisory

### Executive Director & Chief Financial Officer

Sunil O. Khandelwal

### Executive Director & Company Secretary

K. H. Gopal

### Demat ISIN Number in NSDL & CDSL

Equity Shares - INE 270A01011

### Website Address

[www.alokind.com](http://www.alokind.com)

### E-mail Address

[info@alokind.com](mailto:info@alokind.com)

### Registered Office

17/5/1 & 521/1 Rakholi/Saily, Silvassa,  
Union Territory of Dadra and Nagar  
Haveli - 396 230

### Corporate Office

Peninsula Business Park, Tower B,  
2<sup>nd</sup> and 3<sup>rd</sup> Floor, G. K. Marg,  
Lower Parel, Mumbai - 400 013

### Marketing Offices

#### DOMESTIC

##### Delhi

Unit No. 224-227, 2nd Floor,  
DLF Tower, 15, Shivaji Marg,  
New Delhi - 110 015

##### Bengaluru

Ground Floor, Rajee, 8-3/1,  
Langford Town, Bengaluru - 560 025

#### OVERSEAS

##### Sri Lanka

26, Hallmark Building, Vajira Road,  
Colombo - 04, Sri Lanka

##### Bangladesh

Asset Rosedale,  
Unit B1 (1<sup>st</sup> Floor), House# 2 Road,  
# 55, Gulshan Avenue, Gulshan - 2,  
Dhaka - 1212, Bangladesh

##### China

Room No.701, Yongtong  
Communication Plaza, East Wing  
Bldg, 141, Huancheng North Road,  
Hangzhou, Zhejiang, China (310004)

## **Dubai**

6 WA, 232, 2nd Floor,  
P. O. Box 54917,  
Dubai Airport Free Zone

## **USA**

123 Oaklawn Avenue,  
Dallas, TX 75207

## **Czech Republic**

Husova 734, 508 01 Horice  
Czech Republic

## **British Virgin Islands**

Pasea Estate,  
Road Town, Tortola  
British Virgin Islands

## **United Kingdom**

Unit 1, Plot C1  
Central Boulevard, Blythe Valley  
Business Park Solihull - B90 8AH

## **Listing & Code**

BSE Limited (521070)  
National Stock Exchange of India  
Limited (ALOKTEXT EQ)

## **Registrar & Share Transfer Agent**

Link Intime India Private Limited  
C-13 Pannalal Silk Mills Compound,  
L.B.S. Marg, Bhandup (West),  
Mumbai - 400 078

## **WORKS**

### **Spinning**

412 Saily, Silvassa,  
Union Territory of Dadra & Nagar  
Haveli

### **Weaving**

- 17/5/1 & 521/1, Rakholi / Saily,  
Silvassa, Union Territory of Dadra &  
Nagar Haveli
- 209/1, Dadra,  
Union Territory of Dadra and  
Nagar Haveli
- Babla Compound, Kalyan Road,  
Bhiwandi - Dist. Thane

### **Processing**

- 254, 261, 268, Balitha,  
Taluka Pardi, Dist. Valsad, Gujarat
- C-16/2, Village Pawane,  
TTC Industrial Area, MIDC,  
Navi Mumbai, Dist. Thane

### **Knitting**

412 (15) Saily, Silvassa  
Union Territory of Dadra & Nagar  
Haveli

### **Hemming**

103/2, Rakholi, Silvassa,  
Union Territory of Dadra & Nagar  
Haveli

### **Embroidery**

- A/317, TTC Industrial Area, MIDC,  
Mahape, Navi Mumbai.
- 248 & 248, Vasona, Silvassa  
Khanvel Road, Silvassa, Union  
Territory of Dadra & Nagar Haveli.

## **Polyester Yarn**

### **(POY & Texturised Yarn)**

17/5/1, 521/1, Rakholi / Saily and  
409/1 Saily Silvassa, Union Territory of  
Dadra & Nagar Haveli

## **Garments**

- 374/2/2, Saily,  
Silvassa Khanvel Road,  
Union Territory of Dadra &  
Nagar Haveli.
- 17/5/1, Rakholi, Silvassa,  
Union Territory of Dadra &  
Nagar Haveli
- 148/149, Village Morai,  
Taluka - Vapi, Dist. Valsad, Gujarat
- 50/P2, 52/P1, Morai, Taluka Pardi,  
Dist. Valsad, Gujarat

## **Home Textiles**

### **I) Bed Linen**

- 374/2/2, Saily,  
Silvassa, Union Territory of  
Dadra & Nagar Haveli
- 149/150, Morai Taluka,  
Pardi, Dist. Valsad,  
Gujarat

### **II) Terry Towel**

263/P1/P1 and 251/2/P1 Balitha,  
Taluka Pardi, Dist. Valsad  
Gujarat

# Chairman's Message



“

The company optimism over its restoration to health sooner or later is based largely on its ability to appreciably grow its exports. With costs increasing China, there is adequate opportunities in the export markets and Alok with its existing customer relations is well positioned to leverage this. It is noteworthy that even in a very difficult year like 2015-16, the Company has managed an average monthly export of over Rs. 100 crore.

”

## Dear Shareholders,

2015-16 has been a challenging year for most of the Indian companies right across manufacturing / infrastructure based industries, and Alok Industries was no exception. The way their business dynamics has evolved over the last few years has necessitated a recalibration of growth plans and revision of business strategies.

From a macro-economic perspective, the world has not recovered fast enough from the financial crisis of 2008. Since then, an investment led aggressive growth in China and consumption led rapid growth in emerging economies like India had signalled a new world economic order and early signs of fast recovery. Unfortunately, these trends did not last long. In 2015-16, there have been significant slowdown in China, which was driving global growth and several other emerging economies, especially those that were dependent on commodities faced severe headwinds. Consequently, world economic growth has stagnated between 3 and 3.5%, and there are big pockets of uncertainty, which has affected business world-wide. In this backdrop, while Indian manufacturing companies have grown appreciably in the last few years, the pressures on their balance sheets have also accentuated. This is especially the case for companies in sectors where investments were critical for global competitiveness and largely funded through debt. The whole of last year was characterised by banks facing challenges of managing leveraged accounts and finding viable solutions.

These underlying industry-wide developments in India affected Alok Industries as well. Through a planned growth path supported by organic and inorganic investments, in the last few years, the Company has created world class capacities, built global scale of operations and established strong supply relationships



with a wide spectrum of global customers. However, this capacity creation has been accompanied by a large build-up of debt and today there is a mismatch in timings of cash inflows and outflows, creating severe financial stress for the Company.

Let me take a step back and see how we got to this stage. First, there was the general global economic slowdown post the financial crisis of 2008 and global markets witnessed a slowdown. Second, our investments in the retail business both in India and UK did not work. While we closed operations in India, the UK business is still burning cash. Third, the diversification into real estate although intrinsically value creating has not been able to encash on any asset appreciation and has essentially locked up large capital. Fourth, our aggressive expansion into Polyester came on stream at a time when global polyester prices dropped dramatically driven primarily by sharp fall in oil prices. Fifth, during the expansion phase, interest rates have gone up from around 7.50% to a little over 13%, which put further pressures on servicing debt and even contributed to incremental debt. Sixth, this period also witnessed huge fluctuations in foreign exchange rates, and much of the benefits of lower costs of foreign exchange nominated external commercial borrowings were eroded due to devaluation of the Indian Rupee. Lastly, the bunching of repayments at the parent level (Alok Industries) and at the subsidiary level guaranteed by the parent also contributed to the liquidity crunch. Clearly, these were massive headwinds and affected the scale of our operations. Under this financial stress, 2015-16 was a year with very little working capital support that further aggravated a difficult situation and the Company operated at very low utilisation levels resulting in operational losses.

The lenders are undertaking various efforts to try and resolve the Company's present situation. Between November 2015 and January 2016, a joint forum of

bankers led by State Bank of India, has decided to convert the loans extended to the parent company Alok Industries into a 65% stake by invoking the Strategic Debt Restructuring (SDR) option. SDR, introduced by the Reserve Bank of India (RBI) in June 2015, allows banks to convert a part of a defaulting borrower's debt into majority equity and assume operational control and manage the Company on a lower debt platform. This process has been under abeyance for some time now due to certain developments that are sub-judice. At present, there are also efforts to work out a long term viable deep restructuring for the Company.

While the lenders will, presumably focus on resolving the leveraging issues one way or the other, the overall Company efforts are directed at consolidation. This includes accelerating our efforts on selling non-core assets including real estate and overseas businesses. The monetization of the company's immovable assets and the proceeds from the sale of international business would help reduce debt.

The Company has had a very good reputation of servicing its global clients. In the last couple of years, given a realisation that there were working capital constraints, the Company out of its own volition had subdued its business with customers. We are confident, though that given our strong relationships with these Companies, quality of products and past delivery track record, we can bounce back in the market once the restructuring is done.

The Company has a strong home textile, apparel fabric and polyester business to drive exports. It may be noted that the company's home textile business is established enough in the US market as to account for more than 35% of its overall exports. Meanwhile, the other Divisions of Alok are expected to yield better results in the coming years as the demand for Indian textile is on an upswing. The company

is currently exporting its products to more than 90 countries and plans to take advantage of the current downtrend in yarn exports from China. The company optimism over its restoration to health sooner or later is based largely on its ability to appreciably grow its exports. With costs increasing in the export markets and Alok with its existing customer relations is well positioned to leverage this. It is noteworthy that even in a very difficult year like 2015-16, the Company has managed an average monthly export of over Rs.100 crore.

Yes, the Company is facing challenging times. Our lenders have shown faith in our business and are exploring paths of debt realignment and revival of the company's operations. In the Company, we are focused on creating excellence right across our textile business. There are several small level initiatives under way that is aimed solely at our core textiles business and our 'eye is continuously on ball' to revive and accelerate this business. Together with all our stakeholders including our lenders, we are committed to restoring the past glory of Alok Industries.

I take this opportunity to thank our Board members, whose guidance has always helped us to choose the right path in our journey. I would also like to thank our financiers and our shareholders who put faith in our dreams and generously continue to provide us the capital to fund it. My thanks go out to our employees, our customers, our vendors and our well-wishers, for your continued support.

I urge you all to continue to repose faith in our business model, and partner with us as we work hard to turn the corner and embark on a new journey of growth.

Yours Sincerely,

**S.K. Bhoan**  
Chairman

## Board of Directors



1

**Mr. Surinder Kumar Bhoan** (67) is Chairman (Independent) of the Company since 30<sup>th</sup> March; 2015. He has done B. Tech from TITS, Bhiwani in Haryana. He has over 45 years of experience in various fields like Research Institutions, Renewable Energy, Investment Banking, Development Banking, and Textile Industry. He Retired as General Manager from IFCI Ltd. He has also served as Director on the board of several companies.



2

**Mr. Ashok. B. Jiwrajka** (65) is the Executive Director of the Company. Mr. Jiwrajka Completed his schooling and College from Mumbai. After a brief stint with two then leading textile companies, he joined the family partnership firm and went on to co- promote Alok Industries Limited in 1986 with his two brothers. Mr. Jiwrajka has rich experience of over three decades in textiles. He is a member of the core management committee which takes key decisions about the Company.



3

**Mr. Dilip. B. Jiwrajka** (59) is the Managing Director of the Company. Mr. Jiwrajka did his schooling and college from Mumbai and subsequently his post-graduation in Business Entrepreneurship and Management. In the early 80s, he started the business of trading in textiles mainly for the readymade garment sector. Starting with a partnership firm, he gradually co-promoted Alok Industries Limited in 1986 along with his two brothers. He has rich experience of over three decades in textiles. He is a member of the core management committee which takes key decisions about the Company.