

Management Discussion and Analysis

Alok Industries ('Alok' or 'the Company') is an integrated textile Company with a product suite comprising of cotton and polyester products. The Company has a blue-chip customer base across the world including major global retail brands, importers, private labels and a large domestic clientele.

In accordance with an application made by State Bank of India, the Hon'ble National Company Law Tribunal, Ahmedabad bench ("Adjudicating Authority"), vide its order dated 18 July 2017 had ordered the commencement of the Corporate Insolvency Resolution ("CIR") process in respect of the corporate debtor, i.e., Alok Industries Limited ("Company") under the provisions of the Insolvency and Bankruptcy Code, 2016 (the "Code"). An Interim Resolution Professional ("IRP") was appointed to manage the affairs of the Company who was later confirmed to be the Resolution Professional ("RP"). Upon appointment of the IRP / RP, the powers of the Board of Directors stood suspended.

Pursuant to its order dated 08 March 2019 ("NCLT Order"), the Adjudicating Authority approved the Resolution Plan ("Approved Resolution Plan") submitted by JM Financial Asset Reconstruction Company Limited, JMFARC – March 2018 – Trust and Reliance Industries Limited ("Resolution Applicants") for the Company under Section 31 of the Code. In accordance with the provisions of the Code and the NCLT order, the Approved Resolution Plan is binding on the corporate debtor and its employees, members, creditors, guarantors and other stakeholders involved in the resolution plan.

As per the Approved Resolution Plan, during the period between the NCLT Approval Date (as defined in the Approved Resolution Plan) and the Closing Date (as defined in the Approved Resolution Plan) ("Interim Period"), a monitoring committee was constituted ("Monitoring Committee") which during the period following the CCI Approval Date and until the Closing Date, comprising of 4 (Four) representatives of the Financial Creditors, 2 (Two) representatives of the Resolution Applicants and the Erstwhile Resolution Professional managed the affairs of the Company as a going concern and supervised the implementation of the Resolution Plan. The powers of the Board of Directors continued to remain suspended as per the terms of the Approved Resolution Plan.

The Monitoring Committee was in office for the entire period to which this report primarily pertains. During the CIR Process (i.e. between 18 July 2017 and 08 March 2019), the RP was entrusted with the management of the affairs of the Company. The mandate of the Monitoring Committee was to manage the affairs of the Company

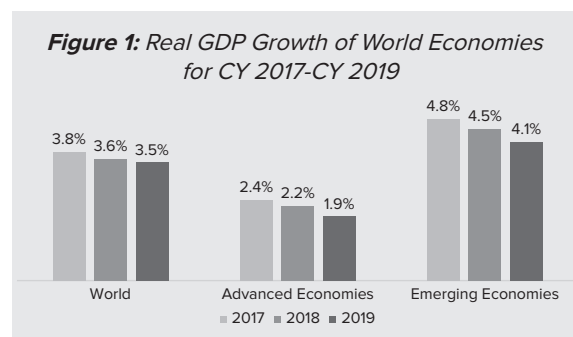
as a going concern and supervise the implementation of the Resolution Plan. The Monitoring Committee, at their Closing Meeting held on 14th September 2020, inter-alia, reconstituted the Board of Directors of the Company ("Reconstituted Board") and upon conclusion of this Meeting, the Monitoring Committee stood dissolved.

The Reconstituted Board is submitting this Report in compliance with the provisions of the Companies Act, 2013, the rules and regulations framed thereunder ("Act") and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), Regulations 2015 ("Listing Regulations"). The Reconstituted Board is not to be considered responsible to discharge fiduciary duties with respect to the oversight on financial and operational health of the Company and performance of the management for the period prior to its reconstitution.

1. Economic Overview

1.1. Global Economy Overview

Global growth in 2019 recorded its weakest pace since the global financial crisis about a decade ago. The GDP growth registered a decline for the second consecutive year and dipped to 3.5% in 2019 from 3.6% in 2018. Advanced economies depreciated by 0.3 percentage points to reach 1.9% in 2019. The emerging markets registered a growth rate of 4.1% in 2019, declining by 0.4 percentage points from that in 2018.



Data Source: World Economic Outlook 2020, International Monetary Fund

Growth in 2019 has been revised down across all large emerging markets and developing economies. The trade war of United States and China had a negative impact on the global trading system. Economic growth in the European Union almost came to a standstill as the bloc became smaller after officially losing Britain as a member. Compounding the problem, the American economy has also slowed and the growth is at its lowest rate since 2016.

European Union's economy downgraded due to weak exports coupled with Brexit-related uncertainties. EU's GDP witnessed a decline of 0.6% in growth rate from 1.9% in 2018 to 1.3% in 2019. The inflation rate (consumer prices) also decreased by the same magnitude to reach 1.2% in 2019. The downside risks to the outlook of the European economy are elevated. Trade barriers and heightened geopolitical tensions, including Brexit-related risks, could further disrupt supply chains and hamper investment and growth.

For the United States, the GDP growth softened from 2.9% in 2018 to 2.3% in 2019. On the contrary, employment and consumption continued to be robust. Wage growth picked up considerably buoyed by policy stimulus and witnessed a marginal decrease of 0.2% in the unemployment rate, when compared to last year. However, inflation stood at 1.8% in 2019 as compared to 2.4% in 2018. The trade related uncertainty in the country has had a negative effect on the investments and business confidence.

World's third largest economy, Japan, grew at 0.7% in 2019. Unemployment rate and inflation has remained steady at 2.4% and 1%, respectively for 2019. After two decades of economic stagnation, Japan posted strong growth in the first half of this year, driven by robust private and public consumption.

China's GDP growth rate has been declining since 2010. Its growth in 2018 remained high pegged at 6.7% but took a downturn again in 2019 to reach 6.1%. Sluggish domestic as well as export demand coupled with the bruising 18-month trade war with the US has seriously affected the world's second-largest economy. The unemployment rate has remained constant at 3.8%.

The outlook of the global economy remains precarious. Trade tensions as well as other domestic policy uncertainties could negatively affect the projected growth pickup in the economies. In some cases, these developments magnified cyclical and structural slowdowns already under way.

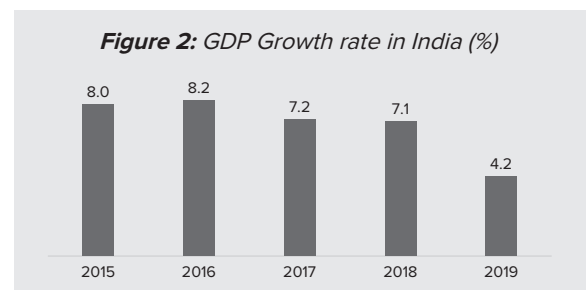
Towards the end of 2019 and beginning of 2020 the outbreak of coronavirus pandemic has also subdued global demand. With the pandemic situation continuing, global trade scenario is expected to be bleak and extremely challenging in the near future as well.

1.2. Indian Economy Overview

India is the fastest-growing trillion-dollar economy

in the world with a GDP of US\$ 2.94 trillion in 2019. India became the fifth-largest economy in 2019, overtaking the United Kingdom and France. The country ranks third in terms of purchasing power parity at US\$11.33 trillion. However, India's high population drags its nominal GDP per capita down to US\$2,170.

India's GDP showed a sluggish growth rate of 4.2% in 2019. The year witnessed slowdown and significant downside risks looming from all quarters. The slackened growth in global economy weighed on the domestic outlook. Three pivotal areas – consumption, investment, and exports—have slowed down significantly. On the industry side, several core sectors including automobiles, real estate, and manufacturing are in distress. The slowdown indicates that domestic demand has weakened due to several factors including stagnating rural wages, tightening lending conditions and rising unemployment.



Data Source: World Economic Outlook 2020

In 2019, merchandise exports were valued at US\$ 324 billion, which was about the same as that in the previous year. In FY 2019-20, Foreign Direct Investment in India reached US\$ 49.97 billion with major contributions coming in from services, computer software and hardware, telecommunications, construction, trading and automobiles. This was a 13% rise from the previous year. The overall inflation reached 4.5% in 2019 from 3.4% in 2018.

2. Textile & Apparel (T&A) Industry Overview

2.1. Global T&A Industry

Consumption

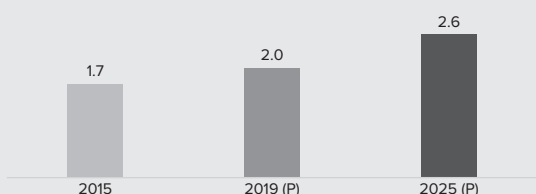
Global apparel consumption is projected to be US\$ 2 trillion in 2019 and despite the downturn in 2020 due to coronavirus, the global consumption is expected to grow at a CAGR of 5% to reach US\$ 2.6 trillion by 2025. Among the top eight markets of apparel, India

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and China are expected to grow at steady CAGR of 12% and 10%, respectively. Higher economic growth and rise in per capita income will lead to the growth in the apparel market in these developing countries.

Post February 2020, global economic lockdown measures to suppress COVID-19 pandemic have resulted in a big blow to the apparel consumption. Retail stores in EU and US, the two major markets for apparel, closed their doors with the onset of the pandemic. The EU textile & apparel industry is expecting more than 50% drop in sales and production in 2020. The apparel consumption in US plunged down to 50% in March 2020 and weakened further in the consecutive months owing to the rapid increase of the pandemic in the country. With uncertainty on the extent of duration of this virus, there is expected to be a prolonged impact on global apparel demand.

Figure 3: Global Apparel Market Size (US\$ Trillion)

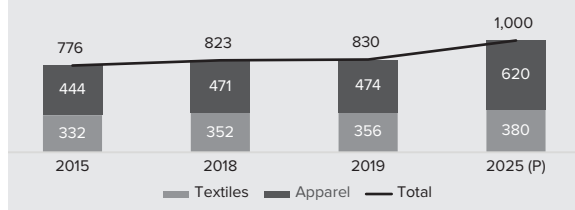


Data Source: UN Comtrade

Trade

In 2019, global textile and apparel trade was estimated at US\$ 830 billion and has grown at a CAGR of 2% since 2015. Apparel holds the dominant share of 57%. The global textile and apparel trade is expected to grow at a rate of about 3% from the present worth of US\$ 830 billion to US\$ 1,000 billion by 2025.

Figure 4: Global Textile & Apparel Trade (US\$ Billion)



Data Source: UN Comtrade

(P) - Projected

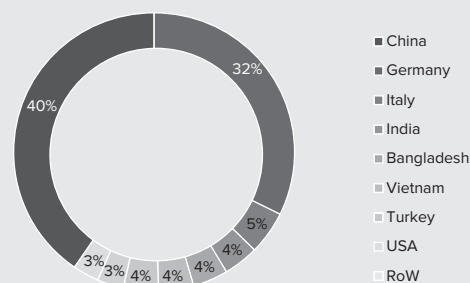
USA imported textile & apparel products worth US\$ 108 billion in FY 2019-20, showing a decline of 4% as compared to that in FY 2018-19. With a value of

US\$ 116 billion in FY 2019-20 (Apr-Jan), the textile & apparel imports of EU increased by only 2% as compared to that in FY 2018-19 (Apr-Jan). India's exports to USA stood at US\$ 8 billion in FY 2019-20, showing a growth of 3% as compared to the previous financial year. For EU, India's exports stood at US\$ 7.3 billion in FY 2019-20 (Apr-Jan), showing a decrease of 1% over the previous financial year.

While China has lost its global export share in recent years, it is still the largest exporter with 32% share in global textile and apparel exports in 2019. China is followed by Germany with a share of 5%. India has a share of 4%. Other major exporters include Italy, Bangladesh and Vietnam. With the US – China trade war and the onset of coronavirus, global buyers are slowly shifting from China and looking for alternate sourcing destination, which has benefited countries like Bangladesh, Vietnam, Cambodia among others.

Despite the dip in 2020, global trade is expected to pick up and grow further as buyers look to further diversify from China and look for new bases to import into US and EU.

Figure 5: Top Textile and Apparel Exporters 2019



Data Source: UN Comtrade

2.2. Indian Textile and Apparel Industry

The Indian textile and apparel industry plays an instrumental role in the Indian economy and is one of the largest sources of foreign exchange earnings. The domestic textile and apparel industry contributes 2.3% to India's GDP and accounts for 13% of industrial production, and 12% of the country's export earnings. The sector also provides direct employment to 45 million people. Indian textile & apparel industry enjoys an inherent competitive landscape reflected by the abundant availability of all types of raw material, i.e., natural as well as manmade fibres. While countries such as Bangladesh and Vietnam are solely dependent on export markets for sustenance of their sectors, India has a large and growing

domestic market to cater to apart from the export market. Another big advantage for textile & apparel manufacturing in India is the abundant availability of employable manpower across the ranks.

In terms of production indicators for the sector, average Index of Industrial Production (IIP) for apparel increased by 5% in FY 2019-20 as compared to FY 2018-19, while that of textiles showed a marginal decrease of 2%. In FY 2019-20, the Wholesale Price Index (WPI) for textiles and apparel registered a decrease of 0.02% and 1%, respectively.

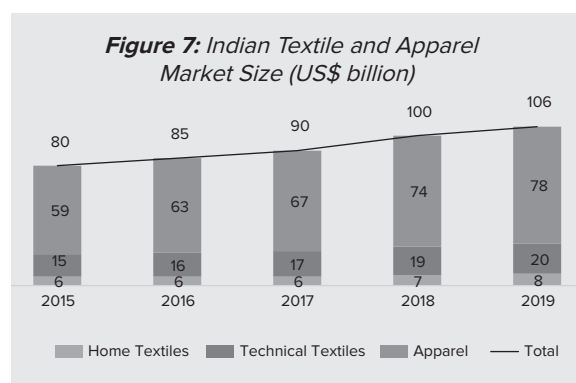
Figure 6: Indian Textile and Apparel Market 2019 (US\$ billion)

Total Indian Market Size 2019: US\$ 143 billion	Domestic Market: US\$ 106 billion	<ul style="list-style-type: none"> Apparel: US\$ 78 billion Technical Textiles: US\$ 20 billion Home textiles: US\$ 8 billion Home Textiles: US\$ 7 billion
	Exports: US\$ 37 billion	<ul style="list-style-type: none"> Textiles: US\$ 21 billion Apparel: US\$ 16 billion

Data Source: Ministry of Textiles, DGCI&S and Wazir Analysis

Domestic Market Overview

Indian domestic textile and apparel market was estimated at US\$ 106 billion in the year 2019, with apparel having a share of 74%. With growth of disposable income, favorable demographics and changing lifestyle, consumption of products and services is expected to grow continuously in the near future.



Data Source: Ministry of Textiles and Wazir Advisors

India witnessed the initial cases of the COVID-19 virus in March 2020 and has been heavily impacted since then. The pandemic has moved the country into an economic slowdown wherein the purchasing power of consumers has dipped significantly due to job losses, salary cuts and increased expenditure

on other areas such as healthcare and medical facilities. The nation-wide economic lockdown came into effect in March 2020 and has severely affected the consumption of non-essential goods, including apparel. With malls and shopping centres closed and movement restricted, domestic sales have withered. Brands are looking at very low consumer sentiment and a steep decline in consumption in 2020. Sales have taken a downturn by as much as 70% since fears over the virus intensified. Even online purchases – otherwise growing prior to the outbreak – have declined by 15% as consumers cut back on discretionary spending.

The demand for medical protective gear such as masks, disposable gloves and hygiene products such as wipes has jumped drastically. The supply of these products has been ramped up to keep up with the rising demand. The rapid spread of the disease has sensitized people to hygiene and healthcare and hence, the demand for medical textiles is expected to increase in the future. This is a lucrative opportunity for the textile industry in the present situation.

Indian Exports Scenario

Textile and apparel sector is a major contributor to India's total export earnings. Currently, it contributes to 11% of total export earnings of US\$ 324 billion. The share of the sector in exports has declined from 14% in 2015 to 11% in 2019.

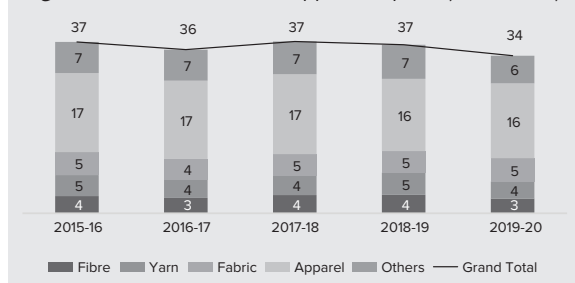


Data Source: DGCI&S

Overall, India holds second position with 4% share of global textile & apparel exports. The textile & apparel exports in FY 2019-20 stood at US\$ 34 billion, declining at a CAGR of 2% since FY16. The exports in FY 2019-20 have shown a dip of 9% as compared to the exports in FY 2018-19. As compared to FY 2018-19, the exports of fibre and yarn have shown a significant decline of 38% and 23%, respectively. On the contrary, exports of fabric showed a growth of 6%.

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Figure 9: Indian Textile and Apparel Exports (US\$ billion)

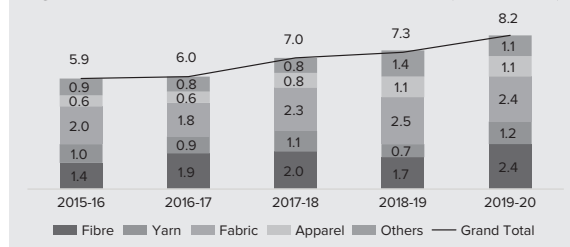


Source: DGCI&S

Indian Imports Scenario

India's imports have been increasing over the last few years. India's textile & apparel imports stood at US\$ 8.2 billion in FY 2019-20, recording a CAGR of 7% since FY16. The imports in FY 2019-20 have shown a jump of 10% as compared to FY 2018-19. Fibre imports have increased significantly by 40% followed by yarn imports that has increased by 7% in FY 2019-20. Rising imports from countries like Bangladesh, Vietnam and China is a concern area.

Figure 10: Indian Textile and Apparel Imports (US\$ billion)



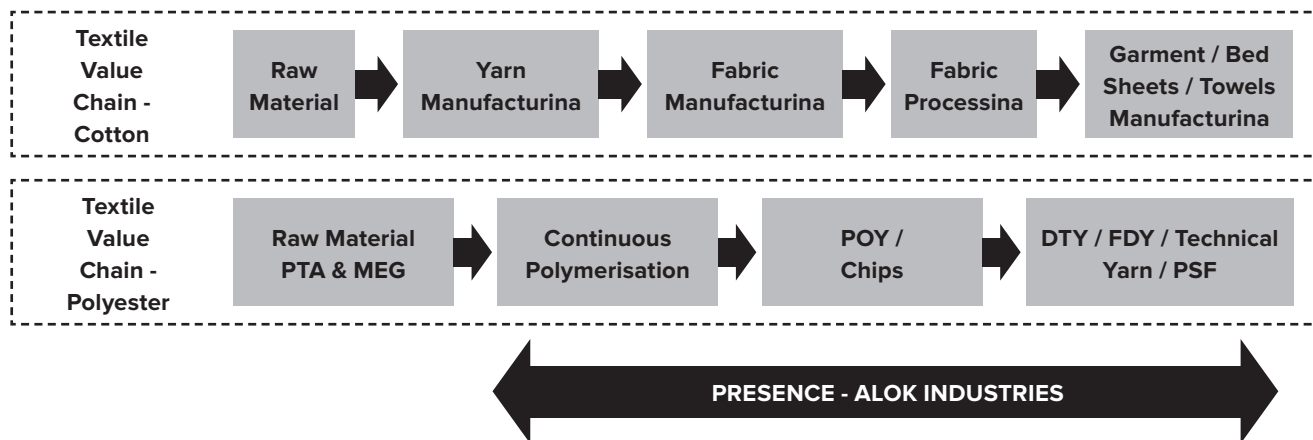
Data Source: DGCI&S

3. Alok Business Segments

The Company has integrated business operations for both of its verticals: cotton and polyester as shown in Chart below. Its key competitive advantage is presence across the entire textiles & apparel value chain right from sourcing the fibre to yarn production, fabric production through knitting and weaving to garmenting, sheeting and terry towels.

The integration allows the Company to optimise decisions of in-house and external sales and purchase at every stage to optimise business returns depending on market conditions. It is this flexibility that provides the Company with a strong competitive edge in the market as shown in diagram below:

Figure 11: Alok's Business Integration in Cotton & Polyester



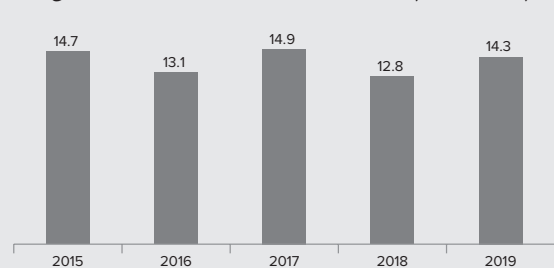
Alok is one of the largest vertically integrated textile manufacturers in India. The company has a dominant presence in the cotton and polyester value chain with operations spanning from yarn to finished products. The company operates under the following four divisions:

- Spinning Division
- Polyester Division
- Home Textiles Division
- Apparel & Fabric Division

3.1. Spinning Business Environment/Outlook

The global trade of cotton yarn was valued at US\$ 14.3 billion in 2019 that has declined at a CAGR of 1% since 2015. The global cotton yarn demand is under stress as GDP growth in China has fallen and there are recessionary trends in major cotton markets including Bangladesh.

Figure 12: Global Trade of Cotton Yarn (US\$ Billion)



Data Source: UN Comtrade

In case of yarn manufacturing, India has production facilities in both natural and man-made yarn production. India has an installed capacity of 53 million spindles, producing approximately 5,890 million kg yarn in 2018-19. India is one of the largest producers and exporters of cotton yarn in the world with a production of 4,208 million kgs of 100% Cotton Spun Yarn in 2018-19.

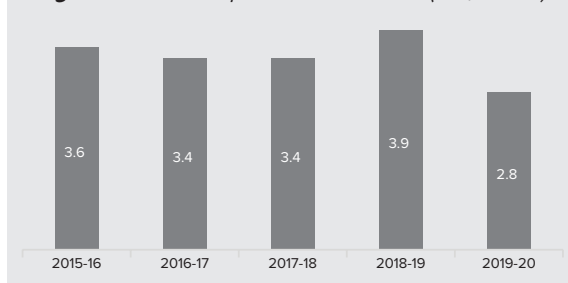
Table 1: India's Spun Yarn Production in Million Kg

Yarn	2015-16	2018-19	CAGR	2018-19 (Apr-Jan)	2019-20 (Apr-Jan)
100% Cotton Spun Yarn	4,138	4,208	1%	3,509	3,332
Blends and other spun Yarn	1,527	1,682	3%	1,401	1,431
Total Spun Yarn	5,665	5,890	1%	4,910	4,762

Source: Office of Textile Commissioner, Govt. of India

India's export of cotton yarn was valued at US\$ 2.8 billion in 2019-20. The exports have declined at a CAGR of 6% since FY16 due to global slump in demand and higher prevailing domestic cotton prices. Moreover, Indian manufacturers are facing challenges due to China's duty free access given to countries like Pakistan and Vietnam.

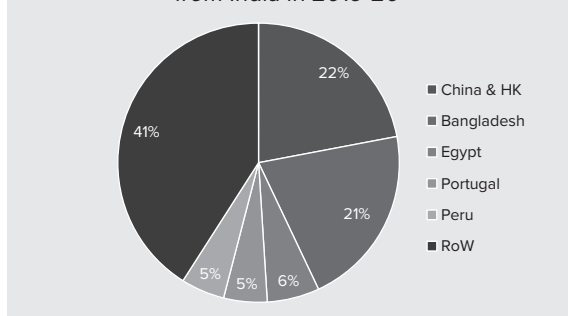
Figure 13: India's Exports of Cotton Yarn (US\$ Billion)



Data Source: DGCI&S

China & HK is the largest importer of cotton yarn (22% share) from India, followed by Bangladesh with a share of 21%. The top five importers form 59% of India's total cotton yarn exports.

Figure 14: Country-wise Exports of Cotton Yarn from India in 2019-20



Data Source: DGCI&S

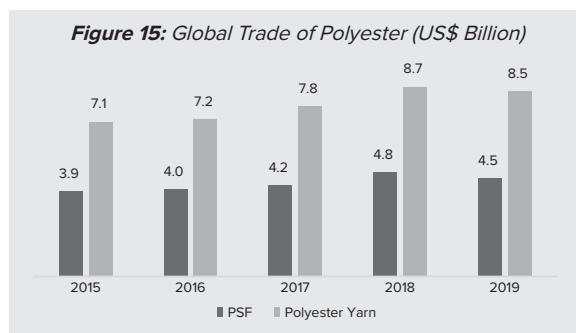
Indian spinners over the last few decades have invested extensively in bringing in the latest spinning technologies and infrastructure to India.

Alok is also one of the major players in the Indian spinning industry with focus on modern infrastructure and research & product development at the same time.

Polyester Business Environment/Outlook

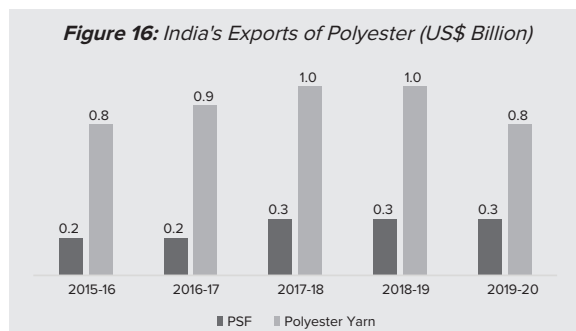
The global trade of Polyester Staple Fibre (PSF) stood at US\$ 4.5 billion and that of Polyester Yarn stood at US\$ 8.5 billion in 2019. PSF has been growing at a CAGR of 4% since 2015, while Polyester yarn has been growing at a CAGR of 5%.

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Data Source: UN Comtrade

India has a production capacity of 1,550 kT of polyester staple fibre and 4,600 kT of polyester filament. It is the second largest producer of polyester globally. India's exports of polyester registered a value of US\$ 1.1 billion in 2019-20. Turkey and Brazil together imported more than 50% of the polyester filament yarn from India.

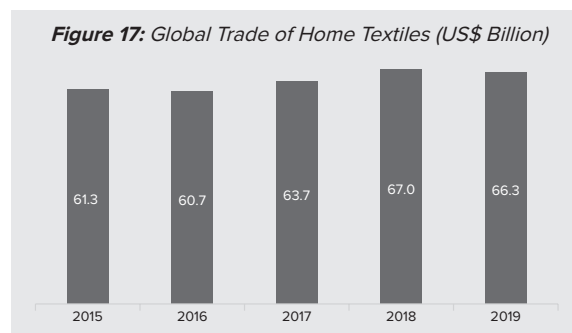


Data Source: DGCI&S

Polyester has proven to be the most cost-effective and adaptable fibre type, and has increasingly picked up the bulk of new business growth. The growth in the volume of polyester consumption is expected to be driven by growth in consumption of finished product categories like sportswear, technical textiles, women's wear. India has a presence of complete polyester value chain in the country right from the fibre and filament producers up to finished goods producers viz. garments, technical textiles and home textiles.

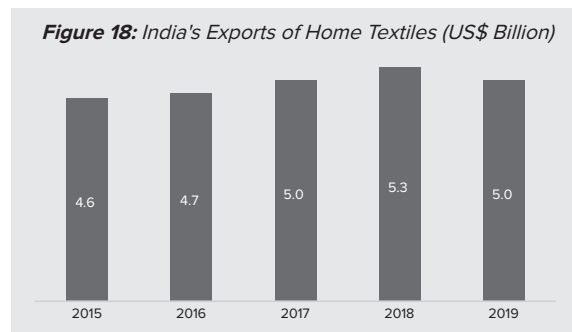
Home Textiles Business Environment / Outlook

The global trade of home textiles was valued at US\$ 66.3 billion in 2019 and has been growing at a CAGR of 2% since 2015. The global demand for home textiles has increased owing to the growth of end-use sectors, such as hospitality, housing and home furnishings.



Data Source: UN Comtrade

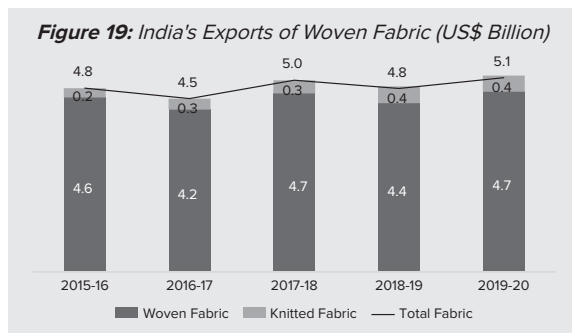
The Indian home textiles exports was around US\$ 5.0 billion in 2019-20 growing at a CAGR of 2% over the last 5 years. It accounted for 14% of the total T&A trade of India (US\$ 35 Billion) in 2019-20. India over the last few years has consolidated its position as the second largest exporter of Home textiles in the World, only behind China, with a share of 8% in the global home textile trade. India's export of terry towel is around US\$ 1 billion in 2019-20 growing at CAGR of 1% in last 5 years. The export of bed linen from India is around US\$ 1.3 billion in 2019-20 with a CAGR of 6% in the last 5 years. India exports its home textiles products primarily to EU and USA, which constitute more than 70% of India's home textiles export markets. India has a strong manufacturing ecosystem for home textiles with presence of large and integrated players with strong capabilities in catering to global market requirement.



Data Source: DGCI&S

Apparel & Fabrics Business Environment / Outlook

India is one of the largest fabric producers with exports of US\$ 5.1 billion in 2019-20, which was dominated by woven fabrics with a share of 92%. The export of knitted fabrics was US\$ 422 million and have been growing at a CAGR of 15% over the last five years. However, woven fabrics have shown a slower growth at a CAGR of 1% in the same period.



Data Source: UN Comtrade

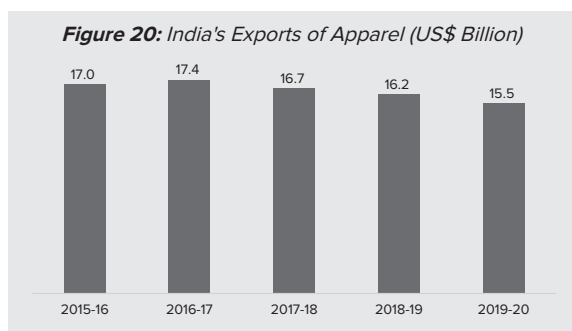
The fabric production in India is around 70,070 million sq. m, which has grown at 2% CAGR in the past five years. Woven fabric had the major share of 73%, while the rest being knitted fabric. However, the production of woven fabric has grown at a CAGR of 2% while knitted fabric production has increased at 3% CAGR.

Table 2: India's Fabric Production (million sq. m)

Fabric Production Mn Sq. m	Production 2013-14	Production 2018-19	Share (2018-19) (%)	CAGR
Woven fabric	46,425	51,150	73%	2%
Knitted fabric	16,199	18,920	27%	3%
Total fabric	62,624	70,070		2%

Data Source: Office of Textile Commissioner, Govt. of India

The global trade of apparel is estimated at US\$ 474 billion in 2019 and has been growing at a CAGR of 2% in the last five years. With a value of US\$ 15.5 billion, India has a share of 3% in the global apparel exports. India's apparel exports have stagnated as result of increasing global competition and local economy challenges. However, Government is now keen on supporting the apparel industry through several policy initiatives and it is expected that India will be able to gain market share in apparel exports in future.



Data Source: DGCI&S

India, with large garment manufacturing capacities and competitive manufacturing capabilities, can be the next leader in this sector. The outlook of the industry will force manufacturers to focus on vertical integration of their operations. The new-age buyers are including criteria such as supply chain transparency, integrated set-ups, economies of scale, and adherence to compliance as an imperative for selecting their vendors.

Alok has manufacturing presence in the entire textile value chain and hence, is a sought after choice for many global and domestic brands as their apparel sourcing vendors.

4. Financial Performance (Stand Alone)

Alok Industries Limited is an integrated textile manufacturer with interests in both, the cotton and polyester value chain. The Company has created global sized capacities and expanded its markets across the global territories.

During the current financial year, the Company continued to operate at around 30% level due to working capital constraints and it made loss of ₹ 202.07 at EBITDA level (previous year EBITDA loss of ₹ 72.80 crore). However, due exceptional items of ₹ 2,052.55 crore on account of write back of operational creditors and few overseas financial creditors in terms of the approved Resolution Plan, at PBT level profit was ₹ 1,222.46 crore. Similarly in the previous year, the Company had reversed all its interest provision from 18 July 2017, from the date of admission of the company under IBC till the date of passing order on 8 March 2019 amounting to ₹ 7,045.19 crore as exceptional item which resulted in PBT level profit of ₹ 2,281.22 crore.

Table 3 gives the summarised profit and loss statement of the Company in the current financial year compared to the previous financial year. The brief analysis of the stand-alone results, which relates to the textile business of the Company, is also given below the table.

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Table 3: Summarised Profit and Loss Account (stand-alone)

	₹ Crore	
PROFIT & LOSS ACCOUNT	FY 2019-20	FY 2018-19
Domestic Sales	2,385.97	2,312.76
Export Sales	780.38	816
Net Sales	3,166.34	3,128.76
Other Income	85.19	124.32
Total Income	3,251.53	3,253.08
Material Costs	2,054.05	2,151.29
Employee Benefits	256.99	252.95
Other Expenses	1142.56	921.64
Total Expenses	3,453.60	3,325.88
Operating EBIDTA	-202.07	-72.8
Depreciation	-529.45	-533.17
Operating EBIT	-731.52	-605.97
Interest & Finance Costs	-98.57	-4,158.00
Operating Profit / (Loss) Before Tax	-830.09	-4,763.97
Exceptional Items	2,052.55	7,045.19
Profit / (Loss) Before Tax After Exceptional Items	1,222.46	2,281.22
Add/ (Less): Provision for Taxes	0.73	0.91
Profit / (Loss) After Tax	1,223.19	2,282.13
Other Comprehensive Income	1.37	1.69
Total Comprehensive Income	1224.55	2283.82

Profit and Loss Analysis

- Net Sales** for the year was ₹ 3,166.34 crore comprising of domestic sales of ₹ 2,385.97 crore and export sales of ₹ 780.38 crore. In the previous year, the total sales were ₹ 3,128.76 crore comprising of domestic sales 2,312.76 crore and export sales of ₹ 816.00 crore. The Company continued to witness lower level of operations due to working capital constraints.
- Other Income** for the year was ₹ 85.19 crore (previous year ₹ 124.32 crore). The major part of the other income was comprising of sundry credit balances written back ₹ 64.36 crore (previous year ₹ 117.30 crore), interest income on fixed deposit with banks kept of ₹ 8.48 crore (previous year ₹ 5.28 crore) and foreign currency exchange rate difference of ₹ 11.64 crore (previous year ₹ Nil).
- Material Cost** for the current financial year was ₹ 2,054.05 crore as compared to ₹ 2,151.29 crore in the previous period. As a percentage of sales, material cost decreased from 67.94% in the previous period to 64.87% in the current year due to decreasing raw material price trend both in cotton & polyester.
- People Costs** in the current financial year marginally increased to ₹ 256.99 crore as compared to ₹ 252.95 crore in the previous period. As a percentage to sales it's about 8% in both the years.
- Other Expenses** in the current year were ₹ 1142.56 crore as compared to ₹ 921.64 crore in the previous period. The major items of other expenses for the year was Power & Fuel ₹ 496.50 crore (previous year ₹ 448.30 crore), packaging material ₹ 100.68 crore (previous year ₹ 109.71 crore), stores & spares consumed ₹ 61.21 crore (previous year ₹ 59.88 crore), Provision for doubtful advances ₹ 150.97 crore (previous year ₹ 29.35 crore), Provision for doubtful debts ₹ 31.37 crore (Previous year ₹ (0.53) crore), Commission on sales ₹ 26.07 crore (Previous year ₹ 29.31 crore), Repairs & Maintenance ₹ 21.07 crore (Previous year ₹ 15.32 crore), among others.
- Operating Earnings before Interest, Depreciation, Tax and Amortization (EBIDTA)** for the year was loss of ₹ 202.07 crore as compared to loss of ₹ 72.80 crore in the previous year.
- Depreciation** was ₹ 529.45 crore for the current year as compared to ₹ 533.17 crore in the previous year.
- Interest & Finance Cost** for the current year was ₹ 98.57 crore as compared to ₹ 4,158.00 crore in the previous year.
- Operating PBT** for the year was loss of ₹ 830.09 crore as compared to loss of ₹ 4,763.97 crore in the previous year.
- Exceptional Item** for the year was ₹ 2,052.55 crore (previous year ₹ 7,045.19 crore), mainly relating to the write back of operational & financial creditors (overseas) in accordance with the terms of Approved Resolution Plan. In the previous year, exceptional item was

relating to reversal of the interest provision of ₹ 7,045.19 crore made by the Company from July 18, 2017 till March 08, 2019 (IRP period), the date of the Hon'ble NCLT Court Order approving the resolution plan.

- **Net Profit / (Loss) After Tax** there was a profit of ₹ 1,223.19 crore in the current year against profit of ₹ 2,282.13 crore in the previous period. In both the years the profit is on account of exceptional items.

Key Ratios

Table 4 gives the Key ratios of the Company (stand-alone).

Table 4: Key Ratios (stand-alone)

Sr. No	Particulars	31 March 2020	31 March 2019
1	Debtors Turnover - Days	19	19
2	Inventory Turnover - Days	39	38
3	Interest Coverage	(0.17)	(0.01)
4	Current Ratio	2.84	0.03
5	Debt – Equity	(0.46)	(0.44)
6	Operating Profit Margin (%)	-6.38%	-2.33%
7	Net Profit Margin (%)	38.63%	72.94%

Comments on Ratios:

- Debtors Turnover days in both the financial years is at 19 days, indicating debtors holding period of 19 days of the sales.
- Inventory Turnover days also in both the years is at around 39 days, indicating inventory holding period of 39 days of the sales.
- Interest Coverage Ratio: Operating Earnings before Interest, Depreciation, Tax and Amortization (EBIDTA) for the year was loss of ₹ 202.07 crore and loss of ₹ 72.80 crore in the previous year. Hence the Interest Coverage ratio is in negative for FY 2019-20 (0.17) and for

FY 2018-19 (0.01).

- The Current Ratio for FY 2019-20 has improved considerably as bank liabilities which were classified as current liabilities in FY 2018-19 have been classified as term liabilities post implementation of the approved Resolution Plan.
- The Net worth of the Company is negative in FY 2019-20 and FY 2018-19 due to carried forward losses, as a result Debt- Equity ratio is in negative.
- Operating Earnings before Interest, Depreciation, Tax and Amortization (EBIDTA) for the year was loss of ₹ 202.07 crore as compared to loss of ₹ 72.80 crore in the previous year. Hence Operating Profit Margin for FY 2019-20 is negative 6.38% and for FY 2018-19 is negative 2.33%.
- Net Profit / (Loss) After Tax was a profit of ₹ 1,223.19 crore in the current year as compared to profit of ₹ 2,282.13 crore in the previous period. In both the years, the profit is on account of exceptional items- FY 2019-20 exceptional income of ₹ 2,052.55 crore (previous year FY 2018-19 exceptional income was ₹ 7,045.19 crore). This has resulted in to Net profit Margin of 38.63% in FY 2019-20 and 72.94% in FY 2018-19.
- The Return on Net Worth (RONW) is not calculated for both the financial year as the net worth of the Company is negative in FY 2019-20 and FY 2018-19 due to carried forward losses. However, in FY 2019-20 the Net Worth has improved to negative (₹ 10,688.68 crore) from previous year negative net worth of (₹ 12,922.18 crore) due to profit after tax of ₹ 1,223.19 crore for the current financial year (due to exceptional items) and other entries related to approved Resolution Plan.

Cash Flows

Table 5 gives the abridged cash flow statement of the Company.

Management Discussion and Analysis

Table 5: Summarised Cash Flow Statement

(₹ Crore)

PARTICULARS	31 March 2020	31 March 2019
Net cash (used in) /generated from operating activities	(171.75)	39.41
Net cash (used in) / generated from investing activities	(263.65)	51.95
Net cash (used in) / generated from financing activities	504.12	(107.76)
Net (decrease) / increase in cash and cash equivalents	68.72	(16.40)
Cash and Cash equivalents as on year end		
At the beginning of the period	15.15	31.55
At the end of the period	83.87	15.15
Net (decrease) / increase in cash and cash equivalents	68.72	(16.40)

Textiles Business: Operations Review

Overview

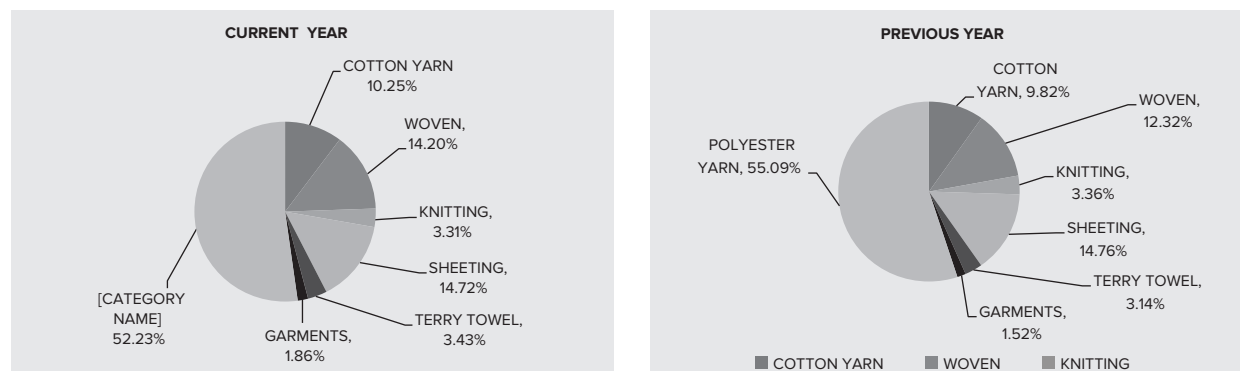
Alok is into single business segment i.e. Textiles. Within Textiles, Alok's business mainly comprises of Cotton spinning, Apparel fabric (Wovens, Knits & Garments), Home textiles (Sheeting & Terry Towel), and Polyester. The division wise sales and its bifurcation into domestic and export is given in table 6 and Chart-20 below:

Table 6: Snapshot of Alok's product-group wise sales distribution

(₹ Crore)

PARTICULARS	12 M YTD ENDED 31 MAR 2020				12 M YTD ENDED 31 MAR 2019				CHANGE
	LOCAL	EXPORT	TOTAL	% TO SALES	LOCAL	EXPORT	TOTAL	% TO SALES	
COTTON YARN	324.23	0.18	324.41	10.25%	307.12	-	307.12	9.82%	5.63%
WOVEN	336.08	113.69	449.76	14.20%	271.80	113.55	385.35	12.32%	16.71%
KNITTING	44.30	60.36	104.66	3.31%	49.29	55.82	105.11	3.36%	(0.43%)
GARMENTS	48.98	9.98	58.96	1.86%	14.03	33.54	47.57	1.52%	23.94%
SHEETING	13.56	452.56	466.12	14.72%	4.05	457.70	461.75	14.76%	0.95%
TERRY TOWEL	57.52	51.03	108.56	3.43%	65.97	32.25	98.22	3.14%	10.52%
POLYESTER YARN	1561.29	92.58	1,653.87	52.23%	1,600.49	123.13	1,723.62	55.09%	(4.05%)
TOTAL	2,385.97	780.38	3,166.34	100.00%	2,312.76	816.00	3,128.76	100.00%	1.20%

Chart 20: Share of different product groups in total sales



As apparent from Chart 20, polyester yarn accounts for highest share in total sales with a share of 52.23 % (55.09% in the Previous year). This is followed by sheeting (Bed sheets) whose share was about at same level of 14.72% (14.76% in the previous year), followed by woven fabrics whose share in the current year was 14.20% up from 12.32%

in the previous year. The share of cotton spinning for the current year was 10.25% as compared to 9.82% in the previous year. The share of knitted fabrics for the current year was 3.31% as compared to 3.36% in the previous year. The share of terry towels for the current year was 3.43% as compared to 3.14% in the previous period and lastly garment share was 1.86% as compared to 1.52% in the previous year.

Exports

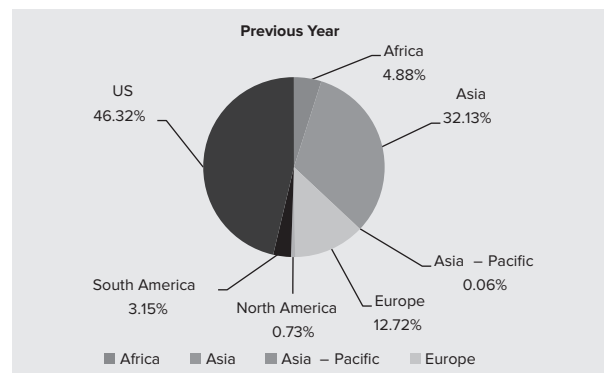
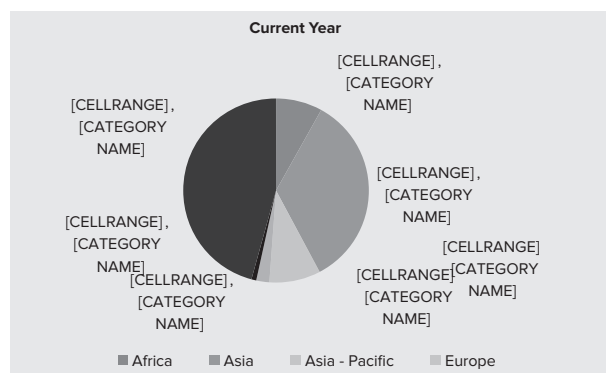
Alok's export business marginally reduced to ₹ 780.38 crore in the current year as against ₹816.00 crore in the previous period.

Table 7 gives the share of different regions in Alok's exports. The share of Alok's exports to different regions of the world is given in chart 21. USA remains the dominant market with 45.72% share in the current year. The share of Asia has marginally increased from 32.13% in the previous year to 34.12% in the current year, while that of Europe has come down from 12.72% in the previous year to 8.88% in the current year. Share of African continent has increased to 8.88% in the current year as compared to 4.88% in the previous year.

Table 7: Regional Distribution of Exports

Regions	YTD 31 March 2020 (12 months)			YTD 31 March 2019 (12 months)		
	₹ Crore	US\$ Mn	% of Exports	₹ Crore	US\$ Mn	% of Exports
Africa	63.06	8.98	8.08%	39.81	5.80	4.88%
Asia	266.29	38.10	34.12%	262.21	38.14	32.13%
Asia - Pacific	0.51	0.07	0.07%	0.46	0.07	0.06%
Europe	69.33	9.89	8.88%	103.82	15.08	12.72%
North America	17.81	2.51	2.28%	5.95	0.85	0.73%
South America	6.60	0.94	0.85%	25.74	3.76	3.15%
US	356.77	50.68	45.72%	378.01	54.44	46.32%
Total	780.38	111.17	100.00%	816.00	118.14	100.00%

Chart 21: Share of different regions in Alok's exports



Manufacturing & Business Excellence

Alok Industries Limited is an integrated textile manufacturer with interests in both, the cotton and polyester value chain. The Company has created global sized capacities and expanded its markets across the global territories. It has global and domestic retailers & brands and reputed garment manufacturer under its portfolio of clients owing to excellent quality of its products. It has received certification of Integrated management system comprising of ISO 9001:2015 (QMS), ISO 14001:2015 (EMS) and OHSAS 18001:2007 indicating the strong systems & processes being followed by the Company. Alok is also compliant of the health, safety and environment norms and various eco certification for its products, as required in export markets. Details of these certifications are covered under the section "Quality, Safety, Health and Environment".

Alok's business excellence is driven by the following levers:

Management Discussion and Analysis

- Established relationship with leading Global brands and retailers
- State-of-the-art manufacturing facilities and supporting infrastructure
- Strong emphasis on Quality, Cost and Delivery (QCD)
- Economies of Scale that provides competitive advantages
- Forward and Backward integration leading to assured quality parameters across the chain
- Wide range of products across different product segments
- In-house product development and designing strength

New Business Opportunity:

While the COVID-19 Pandemic brought some new challenges, it also got some new business opportunities. Responding to the need of the nation and medical community, Alok started manufacturing Personal Protective equipment (PPE) suits and N 95 Masks in a newly started division Safety Textiles from May 2020 and soon became one of the largest producers of PPE suits in the country. However, post June 2020, the competition in this field has increased considerably and the PPE suit and Mask business is not as lucrative as it was in the initial period in May – June 2020.

Besides this, COVID-19 has brought new ways of doing business. It has revealed to us that some of

the work can be done by employees from home and they do not have to travel to office. Also, internal meetings, meetings with existing clients and even with new customers are now done virtually without the concerned team required to visit. This means efficient use of time and resources and cutting down on some of the expenses.

However, COVID-19 has also impacted the normal business operations of the Company by way of interruption in production, supply chain disruption, unavailability of personnel, closure/lock down of production facilities etc. during the lock-down period.

The detailed analysis of the risk and threats associated with the company's business are covered in detailed under the Section "Risk & Risk Mitigation."

Quality, Safety, Health and Environment

At Alok, continuous efforts at developing world class processes and quality assurance are a fundamental and non-negotiable part of the way business is conducted. There is regular focus in manufacturing and allied practices to adhere to the concept of 'get it right - first time and every time'. To achieve this, the Company's products, manufacturing processes and equipment are rigorously checked for quality standards and process deviations, if any.

The Company's adherence to internationally recognized certification standards and compliances has been recognized by renowned certification bodies (see Table 8). Today, the Company has the following certifications/accreditations:

Table 8: Major Certification- Divisions, Plants & Locations Covered

Certification	Division / Plant / Location
ISO 9001:2015 (QMS)	• Process House, Vapi (Normal & Wider width)
ISO 14001:2015 (EMS)	• Knits Processing, Vapi
OHSAS 18001:2007 (Integrated Management System)	• Terry Towel, Vapi
	• Weaving, Silvassa
	• CP, POY, FDY, PSF and Texturizing, Silvassa
	• Spinning and Knitting, Silvassa
	• Embroidery, Silvassa
	• Made Ups, Vapi
	• Garments, Vapi
SA 8000: 2014	• Made Ups & Garments, Silvassa
Social Accountability	• Terry Towel, Vapi
	• Knit Processing, Vapi
	• Made Ups & Garments, Vapi

Certification	Division / Plant / Location
GOTS: Global Organic Textile Standards OCS-Organic Content Standard	<ul style="list-style-type: none"> • Head Office, Mumbai • Spinning & Knitting Division, Silvassa • Weaving Division, Silvassa • Process House (Normal & Wider Width), Vapi • Made-ups & Garments Division, Silvassa • Knit Processing, Vapi • Terry Towel Division, Vapi • Hemming Division, Silvassa • Made-ups Division, Vapi • Embroidery Division, Silvassa
Fair Trade- FLOCERT: Fair-trade Standard for Fibre Crops for Small Producer Organizations	<ul style="list-style-type: none"> • Spinning & Knitting Division, Silvassa • Weaving Division, Silvassa • Process House (Normal & Wider Width), Vapi • Made-ups & Garments Division, Silvassa • Knit Processing, Vapi • Terry Towel Division, Vapi • Hemming Division, Silvassa • Made-ups Division, Vapi
OEKO Tex Standard – Product Class I & II	<ul style="list-style-type: none"> • Made –ups (Product Class I & II) • Woven & Knitted Fabric (Product Class I & II) • Texturized Yarn (Product Class I) • Cotton and blended yarn (Product Class I) • Terry Towels (Product Class I) • Garments (Product Class I) • Woven and Knitted Fabric- (Commission dying and printing) (Product Class I) • Woven Micro Polyester (Product Class I)

In addition to the certifications detailed above, Alok also holds the following certifications:

- Egyptian Cotton Certificate (under process)
- SUPIMA Cotton Certificate
- Cotton USA – License for using Cotton USA
- IATF (International Automotive Task Force) 16949:2016 –Polyester Plant, Silvassa.
- NABL Lab Certification ISO 17025:2005 at Vapi NWP Lab.
- Silvassa SMUGMT Unit for Medical Devices- Isolation Gowns and Protective Coveralls
- Silvassa- Safety & Textile Unit for Medical Devices- Face Masks in various Fabrics and Non-Woven Masks.

In addition to the certifications, Alok's performance, especially in exports of cotton goods and polyester yarn have been recognized through successive awards from TEXPROCIL and SRTEPC in the past for many years.

Subsidiaries

Textiles: Mileta

Through its step-down subsidiary, Alok Industries International Limited, Alok has a 100% stake in Mileta, a Czech-based fabric manufacturing company. Mileta's facilities are located in Horice (Weaving and Administration) and Cerny Dul (Processing) in the Czech Republic.

Mileta has high end technological skill in yarn-dyed fabrics and hemming that results in higher per unit realisations. The Mileta range of products includes handkerchiefs, high quality shirting, batistes and voiles, complete line of functional table linen and bed linen.

Management Discussion and Analysis

UK Retail: Store Twenty One

Alok held a 99.87% equity in Grabal Alok (UK) Ltd, a Company that used to operate the 'Store Twenty One' chain of value-format stores in UK, through its step down subsidiary Alok Industries International Limited and Grabal Alok International Limited.

Grabal Alok UK was taken under liquidation on 10th July 2017 and the process of liquidation is on presently. The Company has provisioned for the entire investment.

Investment: Alok Infrastructure Limited

The Company had made some investments in the realty sector through its 100% subsidiary Alok Infrastructure Limited. The plan was to create value and monetise the same at the right opportunity. However, depressed market conditions in the real estate space resulted in the Company having to dispose-off some of its assets at losses. The Company has also provided for the loans / advances to the extent not recoverable from its subsidiaries.

Alok Infrastructure Limited was admitted under the Corporate Insolvency Resolution Process (CIRP) in terms of the Insolvency and bankruptcy Code, 2016 vide an order dated 24th October 2018 of the Hon'ble National Company Law Tribunal, Mumbai.

The Resolution Professional of Alok Infra has informed that under the advice of the Committee of Creditors, an application under section 60 (5) read with section 12A and other applicable provisions of the Code has been filed on 5th April, 2019 for withdrawing the insolvency petition of Alok Infra. Currently, this application is pending with the Adjudicating Authority.

The performance of all of subsidiaries and step down subsidiaries are given in table 11.

Consolidated Results

Tables 9, 10, and 11 give the profit and loss highlights, balance sheet highlights and Company wise sales of Alok as a consolidated entity.

Table 9: Consolidated Profit and Loss Summary

Particulars	(₹ Crore)	
	FY 2019-20	FY 2018-19
	Amount	Amount
Net Sales	3,328.78	3,352.24
Other Income	39.06	18.53
Total Income	3,367.84	3,370.77
Material Costs	2,124.74	2,274.27
People Costs	306.53	300.89
Other Expenses	1,024.74	906.25
Total Expenses	3,456.01	3,481.41
Operating EBIDTA	-88.77	-110.64
Depreciation	-541.84	-549.51
Operating EBIT	-630.01	-660.16
Interest	-113.63	-4,308.74
Operating Profit Before Tax	-743.64	-4,968.90
Exceptional Items	2,052.55	7,045.19
Profit Before Tax after Exceptional items	1,308.90	2,076.29
Less : Provision for Taxation	2.31	0.88
Profit After Tax	1,311.22	2,077.17
Share of profit / (loss) from associates (net)	-0.99	-1.02
Profit After Minority Interest	1,310.23	2,076.15
Other Comprehensive Income	-296.68	-149.82
Total Comprehensive Income	1,013.55	1,926.33

Table 10: Consolidated Balance Sheet Summary

(₹ Crore)		
Particulars	As at 31.03.2020	As at 31.03.2019
Share Holders Funds	(12,307.92)	(14,616.95)
Non -Current Liabilities	28,338.71	6,287.52
Current Liabilities	1,877.45	26,343.96
Total Equity and Liabilities	17,908.24	18,014.53
Non -Current Assets	16,473.63	17,117.23
Current Assets	1,434.24	897.30
Total Assets	17,908.24	18,014.53

Table 11: Company wise sales in total Consolidated Sales

(₹ Crore)				
Sr. No.	Name of the Company	31.03.2020		31.03.2019
		Sales	Profit/(Loss)	Sales Profit /(Loss)
1	Alok Industries Limited	3166.34	1,224.56	3128.76 2,283.82
2	Alok Infrastructure Limited	0.19	(13.50)	60.37 (133.38)
3	Alok International Inc.	-	99.96	- (34.07)
4	Mileta A.S	162.25	(5.47)	163.10 (15.85)
5	Grabal Alok (UK) Limited	-	-	- -
6	Alok Industries International Limited	-	(158.11)	- 0.31
7	Grabal Alok International Limited	-	(58.16)	- (129.87)
8	Alok World Wide Limited	-	0.11	0.59 0.01
9	Alok Global Trading (Middle East) FZE	-	-	- -
10	Alok Singapore Pte Limited	-	(14.97)	- (2.19)
11	Alok International (Middle East) FZE	-	(0.67)	- -
	Total	3,328.78	1,073.75	3,352.83 1,968.78
	Effect of elimination entries	-	(60.20)	(0.59) (42.44)
	Consolidated (Loss) / Profit	3,328.78	1,013.55	3,352.24 1,926.34

Human Resource

At Alok, there is a believe that strong foundation of human resources is a prerequisite for creating many possibilities for its business. During the year under review, despite several challenges, your company continued its business operations, strived for new development of markets & products, which was result of the people effort. Also, to improve the skill gap, your company took steps in building capability of workforce and vendor partners, by organizing training programs. Your company's senior leadership acted as a role model and provided all support to employees to keep them motivated, positively engaged, arrest attrition and deliver maximum business performances. We have a motivated team of over 16,700 employees who are giving their best in their respective spheres of the work in taking the Company forward and gaining its leadership position. The overall industrial relation scenario of the company continued to be cordial during the year.

Considering the risk associated with COVID-19 pandemic, the Company has set up a COVID-19 Centre along with a team of doctors at its Silvassa plant for the testing and quarantine of its workers. Also work from home was facilitated for the employees.

Sustainable Business Practices and Corporate Social Responsibility (CSR)

Alok has been following business practices that are economically viable, socially responsible, environmentally friendly, meeting required health & safety standards. Much of our improvements in business practices have come from new ways of thinking about meeting customer needs, and redesigning production operations with environmental concerns in mind. Such procedures as life-cycle analysis, design for environment and preventive engineering have all played significant roles in assisting the business to move toward more sustainable operations. As such, this sustainable business movement is a component of the broader movement toward greater corporate social responsibility.

Management Discussion and Analysis

Risks & Risk Mitigation

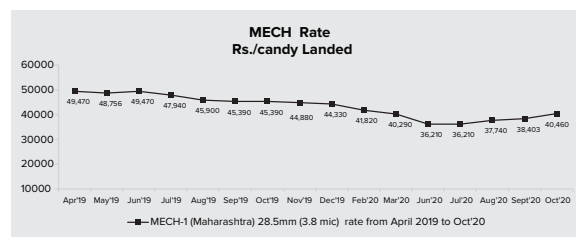
This section contains the Company's view on risk and the critical risk factors for the Company. This section also provides the manner in which the Company manages risk through its risk management processes.

Raw Material

Raw material being the major cost of production, Company's operations and profitability are significantly dependent on the timely availability and price of raw materials used in production process. The primary raw materials for our textile operations are raw cotton and PTA & MEG. The Company also buy cotton yarn, polyester yarn and fabrics of specifications required by customers which are not produced in its plants or in case the internal capacities are not available.

Being an agricultural commodity, prices of cotton are affected by a range of factors like changes in weather conditions affecting sowing, government policies and regulations. Governing taxes, tariffs, duties, subsidies, import and export restrictions on agricultural commodities, all of these influence pricing and demand supply situation in this industry. The planting of certain crops versus other uses of agricultural resources, the location and size of crop production, volume and types of imports and exports, etc. determine availability of cotton. As the Chart- 22 below shows cotton prices during 2019-20 were in decreasing trend.

Chart 22: Price Movement of Cotton MECH



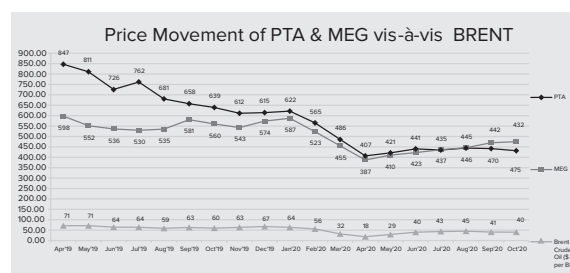
The Cotton price decreased from ₹ 49,470/- per candy (356 kgs. Ginned Cotton) in April 2019 to ₹ 36,210/- per candy in July 2020. However, from August 2020 onwards its showing rising trend and have reached ₹ 40,460/- per candy in October 2020.

Company has a very experience team for procurement of raw cotton with a deep understanding of this natural fibre. As a Company, we have adopted various processes whereby we

are expanding our sources across different supply chain intermediaries and other stake holders. Cotton in India is at Zero Import duty and Zero export duty as such, our focus remains optimizing domestic and international opportunities to create a competitive edge of sourcing.

For Company's polyester yarn operations, PTA and MEG are the major raw materials that are required in manufacturing POY and other polyester yarn. Being petrochemical products, prices of PTA and MEG are linked to naphtha prices and ethylene prices, respectively, which in turn fluctuate in line with fluctuations in the crude oil prices as can be seen from the Chart 23 below.

Chart 23: Price Movement of PTA & MEG



As can be seen from the chart 23 above, both PTA and MEG prices during the financial year 2019-20 were having downward trend more or less in tandem with the price of crude oil (Brent).

PTA prices moved from peak level of USD 847 per ton in April 2019 and showed a declining trend and came down to USD 486 per ton in March 2020 and reached at bottom of USD 407 in April 2020. However, it started showing upward trend from May 2020 and have reached at USD 432 in October 2020.

MEG prices also came down from USD 598 per ton in April 2019 to USD 455 per ton in March 2020 and made bottom of USD 387 in April 2020. It started rising again from May 2020 and reached at USD 475 in October 2020.

Being a commodity product, the prices of finished goods like Texturised Yarn (DTY) and Fully Drawn Yarn (FDY), etc. also move with the movement in raw material prices albeit with a lag on both sides.

The Company has assured supplies of PTA & MEG requirement from Reliance Industries Limited at internationally competitive prices and as such do not foresee any risk of non-availability of PTA & MEG.

Markets

The Company's products are sold in both domestic as well as exports markets. Exports are expected to remain major part of the Company's revenue in future as well. The Company's exports markets, predominantly USA, Europe and Asia, are very competitive with very high emphasis on timely delivery.

Ability to develop products as demanded by customers and new designs development capability are critical factors for exports markets. The Company has been, so far, successful in meeting these demands over the years and have also won several export awards in the past instituted by the Government and export promotion Councils.

India, for past few years, no longer enjoys preferred market access in terms of concessional import duties in major exporting countries like USA & Europe. This is making countries like Bangladesh comparatively more price competitive. As a result, while the overall demand for textile products in Company's major markets is not declining, other nations like Bangladesh are competing aggressively to capture market share. The Company is progressively widening its markets with increasing focus on Asia and some countries in Africa to mitigate the challenges that are likely to arise in the developed markets. To its credit, the Company has been able to retain key customers in USA and Europe, albeit with lower volumes. Now that the Resolution Plan has been implemented by the Resolution Applicants, the Company is confident of bringing into its fold, customers who have moved away in the last two years given the quality of the products and capacity to supply large volumes consistently.

In the domestic market as well, the Company faces competition from organised big players as well unorganised small & fragmented players. The Company has developed good reputation amongst the domestic traders, garment manufacturers and brands due to its quality, design capabilities and cost. Further, the Company has now started building relationships with large retailers (physical and online) to supply fabrics and garments. Once the Company's operations are scaled up, it would also be able to meet large volumes. The Company is confident that it would again regain a preferred supplier status for big brands & retailers given the quality, design capability and the capacity available to provide large volumes on a consistent basis.

The Company has been a leading supplier of Polyester Yarns over the years given its large capacity, the quality and the range of its products. After infusion of funds by Resolution Applicants, the Company has been able to optimise its polyester capacity. As the operations are now getting stabilized, the Company is confident of re-establishing itself as a premium supplier of Polyester Yarn and fibre.

Information Technology Risk

The Company runs SAP since 2007 with main data Centre at Mumbai and disaster recovery environments at two different geographical locations. Connectivity across all offices/plants is established through secured MPLS links.

Infrastructure, network and applications are secured through firewalls and role based authorizations. Enterprise wide end point security deployed on all devices, secure systems from virus/malware attacks.

Multiple UPS systems and external power backup mitigate any risks arising out of power interruptions.

The Company's ERP system is not under Annual Maintenance Contract (AMC) from SAP and is being run on old hardware. The Company initiated the process of implementing updated version of SAP and also carry out much needed replacement of its hardware.

Financial Risk

The Resolution Plan is now fully implemented and the required capital infusion has been done by the Resolution Applicants in line with the approved Resolution Plan. The Company's operations and capacity utilisation are gradually improving. The Company is having term loan assistance from banks of ₹ 5,137 crore and working capital limits of ₹ 415 crore. The Company is required to meet interest obligation on these loans periodically and would also have to meet the repayment of term loan as per the terms of sanction. Moreover, the Company's loans are linked to MCLR of the sanctioning banks. Any increase in MCLR would lead to increase in interest rate for the Company on its borrowings.

The Company's rating has now improved to AA (by CARE) based on the financial support from its Resolution Applicants. The Company has been meeting its obligations on time and do not foresee any major risk on this account.

Management Discussion and Analysis

Currency Risk

The Company is subject to currency exposure risk given its significant amount of exports. The company's imports are much lower as compared to its exports and thus as far as foreign currency payments are concerned, the company has natural hedge. The Company has been now sanctioned a limit to hedge the currency exposure on export receivables. The Company also has in place a hedging policy to mitigate currency risks. The Currency risk is thus adequately mitigated.

Impact of Covid Pandemic

The World Health Organisation declared outbreak of Coronavirus Disease (COVID-19) as a global pandemic on 11th March, 2020. Consequently, Government of India declared a nation-wide lockdown on 23rd March, 2020 and the Company temporarily suspended operations in all its units in compliance with the lockdown instructions issued by the Central and State Governments. The Company had, accordingly made a disclosure in terms of Regulation 30 of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015. COVID-19 has impacted the normal business operations of the Company by way of interruption in production, supply chain disruption, unavailability of personnel, closure/lock down of production facilities etc. during the lock-down period. However, production and supply of goods had commenced during various dates at certain manufacturing locations of the Company after obtaining due permissions from the appropriate government authorities during the lockdown period.

The Company has made detailed assessment of its business scenario for the current year and do not foresee any major challenges on this account. Looking at the need and as new business opportunity, Company has also started Safety Textiles division to manufacture PPE suits and Masks. The situation is however, dynamic and changing rapidly giving rise to uncertainty around the extent and timing of the potential future impact of the pandemic which may be different from that estimates made by the Company. The Company is closely monitoring and would account for any material changes arising out of future economic conditions and impact on its business.

Outlook

With the implementation of the approved Resolution Plan, required funds have been infused / arranged by Resolution Applicants for meeting the working capital requirements and capex requirements. With infusion of funds and support of the new management, the operations of the plants are gradually increasing and necessary capital expenditure, wherever to ramp-up the operations, are being carried out. The human resource required to cope-up with the growth requirements of the company are also gradually coming in place. The company would progressively be able improve its capacity utilization and regain its market share.

Internal Control and Adequacy

The Company has in place well established framework of internal control system which commensurate with the size and complexity of its business. The Company has an independent internal audit function covering major areas of operations and is carried out by external firms of Chartered Accountants engaged for this purpose.

Cautionary Statement

Statements in this Management Discussion and Analysis describing the Company's objectives, projections, estimates and expectations may be 'forward looking statements' within the meaning of applicable laws and regulations and based on the fact that the Resolution Plan for the Company has been implemented. These statements have been based on current expectations and projections about future events. Wherever possible, all precautions have been taken to identify such statements by using words such as 'anticipate', 'estimate', 'expect', 'project', 'intend', 'plan', 'believe' and words of similar substance in connection with any discussion of future performance. Such statements, however, involve known and unknown risks, significant changes in political and economic environment in India or key markets abroad, tax laws, litigation, labour relations, exchange rate fluctuations, interest and other costs and may cause actual results to differ materially. There is no certainty that these forward-looking statements will be realised, although due care has been taken in making these assumptions. There is no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.