

● LONG-DRAWN PROCESS

Bankers fear Alok Industries redux in Future resolution

Worry they may have to take steep haircuts, as in the case of Alok Industries takeover

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Mumbai, April 20

BANKERS TO FUTURE Group are anxious that the resolution of the group's retail entities could end with steep haircuts for them even as they have referred the group's flagship for insolvency proceedings.

There is a view among senior bankers that instead of yielding a clear-cut takeover of the group's assets by Reliance Retail for ₹24,713 crore, as was envisaged over the last two years, the resolution could go the way of Alok Industries.

Appearing in the first list of bad loans drawn up by the Reserve Bank of India (RBI) for resolution under the Insolvency and Bankruptcy Code (IBC), Alok Industries was eventually taken over by a consortium of JM Financial Asset Reconstruction Company (ARC) and Reliance Industries in 2018 for ₹5,050 crore. Lenders took an 83% haircut on their dues worth ₹29,500 crore.

"All court-monitored processes — be it DRT (debt recovery tribunals) or IBC — are long-drawn processes. You don't know what you'll end up with after all that time. So, bankers are now worried and praying that the Future assets don't end up the way Alok Industries did," a senior banker said.

Lenders are also in a spot after Reliance Retail surprised them in February this year, taking over 947 Future Group stores. They are wary of a renegotiation of the takeover terms, under the circumstances.

There had initially been speculation that banks may move the DRT to recover their dues from Future Group as they had issued notices warning of clawbacks



to secure their assets. Bankers later characterised that action as more of a knee-jerk reaction.

"The NCLT, despite its flaws, is seen as a more closely-monitored option and that's the main reason we have opted for it," another banker said.

Future Retail's loans had been restructured under the resolution framework for Covid-related stress proposed by the Kamath committee in 2020. Throughout the 19-month period when the company's loans remained under moratorium, bankers had been hopeful that Reliance Retail would take over Future Group's wholesale, retail and logistics businesses for ₹24,713 crore under a deal thrashed out in August 2020 and clear its dues to banks. Trouble emerged when Amazon objected to the deal and triggered a legal battle that is still ongoing.

Future Retail first defaulted on dues worth ₹3,494.56 crore in December 2021 and then failed to cure the default during the next one month, as required under the terms of restructuring. It again defaulted on repayments worth ₹5,322 crore scheduled for March 31, 2022. The company has already slipped in January and the 40% provisions taken against that account will show in banks' Q4FY22 financial results.