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SBI-led banks in search of Rs 20,000 crore borrowed by Alok Industries

By [Sugata Ghosh](#), ET Bureau | Updated: May 09, 2016, 07.16 AM IST

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MUMBAI: In early December 2015, Deloitte resigned as auditor of Alok Industries. The unusual decision — as few companies change auditor in the middle of the year — was informed to stock exchanges.

But the brief communique went largely unnoticed as most analysts had by then stopped tracking the debt-ridden textile company which, together with its subsidiaries, had borrowed close to Rs 20,000 crore from banks in India. After four months, banks are now about to order an audit to trace the "end use of loans" taken by Alok. Last week, the lenders, led by State Bank of India, sounded out firms such as Chokshi & Chokshi and Grant Thornton to carry out a forensic audit of Alok.

The joint forum of lenders will meet this week to take a final decision. A forensic audit could not only reveal if there were any instances of fund diversion by the company but also bring out possible lapses, if any, of past audits. According to a senior banker, Deloitte stepped down almost immediately after SBI officials held a meeting to discuss the financials of Alok with one of the partners of the Big 4 firm.

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Deloitte abruptly stepped down as auditor of Alok Industries in Dec '15

The audit firm gave an NOC to the new auditor

Banks are now planning to audit the end use of ₹20k-cr loan

Joint lenders' forum expected to take decision this week

Forensic audit may bring out past audit lapses

Deloitte officials refused to comment when asked about the meeting. An employee of the PR firm hired by Deloitte said, "As per our consistent policy, Deloitte does not comment on client confidential matters." Surendra Jiwrajka, an executive director at Alok, said, "The reason for Deloitte's resignation was purely commercial in nature.

Considering the increase in number, size and complexity of transactions, Deloitte required an interim hike in their remuneration which was significant and not possible for the company." Responding to ET's email query, Jiwrajka said that to the best of their knowledge there was no such meeting between Deloitte and the banks.

When asked to comment on creditors' suspicion about possible gaps in the books of Alok Industries, Jiwrajka said, "The banks have never asked us for even a clarification thus far in this regard. There has never been any such mention in our accounts till date either. Besides, no auditor would take up the assignment if there were to be the existence of such a lacuna in the balance-sheet and even banks would not have supported us all the way they have so far."

Deloitte gave a no-objection certificate, as required under the rules of Institute of Chartered Accountants of India, to Shah Gupta & Co, the chartered accountants firm which replaced Deloitte as one of the auditors of Alok. Banks, which had invoked the strategic debt restructuring provision to convert some of the loans into equity and offload the stake to a strategic investor, were also planning to rope in a consultant that would monitor the cash-flow of Alok. They were in touch with the business advisory firm Alvarez & Marsal for the assignment.

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