

## Binny Limited

March 20, 2018

### Ratings

| Facilities    | Rating <sup>1</sup>   | Rating Action |
|---------------|---|---------------|
| Issuer Rating | CARE BB- (Is); Stable<br>[Double B Minus (Issuer Rating);<br>Outlook: Stable] | Reaffirmed    |

The issuer rating is subject to the company maintaining overall gearing not exceeding 2.01x (expected level as on March 31, 2018).

### Detailed Rationale & Key Rating Drivers

The rating assigned to Binny Limited (Binny) continues to draw strength from the experience of the promoters, progress in its real estate joint venture project (where Binny is the land holding partner) and monetisation of other land banks of the company during 10MFY18 (refers to the period April 1 to January 31).

The rating is, however, constrained by the exposure to group companies, nascent stage of the real estate project and other capital expenditure plans and the unpaid outstanding cumulative preference capital (along with interest accrued) which were raised from promoter group entities.

Going forward, ability of the company to realise continuous income from its real estate projects and monetise its remaining land banks would be key rating sensitivities.

### Detailed description of the key rating drivers

#### Key Rating Strengths

**Experience of the promoters:** Mr Nandagopal is associated with the company for over four decades and has extensive industrial experience. He is ably supported by other members of top management (also forming part of promoter family) having extensive industrial experience. Going forward, the management also has plans to enter into the textile space which is its forte.

**Progress in the township project and monetisation of land bank:** The company had entered into a joint venture agreement with SPR Constructions Private Limited (SPR) for development of an integrated township project spread over 64 acres of land and expected to be developed in two phases. Binny is the land owner and would receive 40% of the project revenue towards its share. The total project cost of Phase I is expected to be around Rs.750 crore and the developer has obtained sanctions amounting to Rs.615 crore. Phase I of the project had a soft launch in Q3FY17 and approval from Real Estate Regulatory Authority (RERA) was received in February, 2018. As on December 31, 2017, total of 385 residential units (of total 664 units) and 9 villas (of total 48 villas) have been sold. Further, the township project also envisages a wholesale market with around 1032 shops in Phase I and the soft launch for the same happened in December 2017. All 1032 shops have since been booked at a total sales value of Rs.424 crore. As on December 31, 2017, SPR has received booking advance of around Rs.70 crore for sale of residential units, villas and shops and Binny has received Rs.28 crore towards its share. Further, Binny monetized its other land banks during 10MFY18 for a total sales consideration of Rs.47.68 crore. The company has received Rs.40.18 as on March 10, 2018 from the sale.

#### Key Rating Weaknesses

**Other capital expenditure plans and group exposure:** In addition to the joint venture project with SPR which is presently in the nascent stage, the company has also planned to enter the wholesale textile business and had paid advance amounting to around Rs.150 crore during FY17 to few textile manufacturers and traders. Further, the company paid about Rs.323 crore in advance for purchase of 19.47 acre of land from one of its group companies in two separate transactions. In one transaction, the company paid Rs.140 crore (total consideration expected to be around Rs.155 crore) towards purchase of 7.07 acres of land and in another transaction, the company paid Rs.183 crore (total consideration expected to be around Rs.300 crore) towards purchase of 12.43 acres of land. However, the shareholders of Binny have not approved one of the transactions pertaining to purchase of land of 12.43 acres. As a result, the company has recalled

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

the advance paid (Rs.183.35 crore) and the same is pending for recovery. Besides these transactions, Binny had also paid Rs.60 crore as advance for purchase of windmill from group company which has since been cancelled and advance has been recalled. Including the same, as on March 31, 2017, Binny had about Rs.383.35 crore of exposure to its group entities.

**Unpaid Outstanding Cumulative Preference Share Capital and interest accrued:** As on March 31, 2017, the company had debt in the form of cumulative redeemable preference share (CRPS) capital amounting to Rs.117 crore held by promoter group entities. The funds were availed by the company in the past to meet commitments under the scheme of BIFR. Redemptions were due on June 2016 and January 2017 and the company has extended the due dates till June 2021 and January 2022 with approval from the investors. The company proposed to convert the CRPS and unpaid interest accrued into 18% Non-convertible Debenture (NCD) with a tenure of 10 years. The proposal has been accepted by the preference shareholders and was also subsequently cleared by the stock exchange. The proposal is now with SEBI for approval.

#### Analytical approach Standalone

#### Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria on Issuer Rating](#)

#### About the Company

Binny was established in 1969 by a Scheme of Amalgamation of few entities and was acquired by Mr M Ethurajan, Mr M Nandagopal and Mr V R Venkatachalam in 1987 when the company was in financial crises. The company was revived through Board for Industrial and Financial Reconstruction (BIFR) package.

During FY10 (refers to the period April 1 to March 31), Binny Limited was demerged and two new companies Binny Mills (with its 27.76 acre of B&C Mills in Perambur, Chennai) and S V Global Mill (Head office on 2 acres at Armenian street, 1.44 acres of waterside west house at Boat Club, Chennai, 28 acres near Bangalore railway station) were formed and they were vested with Mr M Ethurajan and Mr V R Venkatachalam respectively. Meanwhile, Binny (with 100 acre land including a factory with container freight station & logistics business on 27.75 lakh sq. ft at Perambur, Chennai) came under the control of Mr Nandagopal.

Binny entered into joint ventures with real estate developers for development of its land area in FY15 and subsequently the warehousing operations were stopped from February 2015 and the facilities demolished for project development.

| Brief Financials (Rs. crore) | FY16 (A) | FY17 (A) |
|------------------------------|----------|----------|
| Total operating income       | 1.79     | 455.59   |
| PBILDT                       | -1.64    | 424.59   |
| PAT                          | -8.71    | 290.40   |
| Overall gearing (times)      | 2.31     | 0.34     |
| Interest coverage (times)    | -0.36    | 193.88   |

A: Audited

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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### About CARE Ratings:

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#### Annexure-1: Details of Facilities

| Name of the Instrument       | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. crore) | Rating assigned along with Rating Outlook |
|------------------------------|------------------|-------------|---------------|-------------------------------|---|
| Issuer Rating-Issuer Ratings | -                | -           | -             | 0.00                          | CARE BB- (Is); Stable                     |

#### Annexure-2: Rating History of last three years

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings |                                |                      | Rating history                            |   |  |   |
|---------|--|-----------------|--------------------------------|----------------------|---|---|--|---|
|         |  | Type            | Amount Outstanding (Rs. crore) | Rating               | Date(s) & Rating(s) assigned in 2017-2018 | Date(s) & Rating(s) assigned in 2016-2017 | Date(s) & Rating(s) assigned in 2015-2016              | Date(s) & Rating(s) assigned in 2014-2015 |
| 1.      | Issuer Rating-Issuer Ratings           | Issuer rat      | 0.00                           | CARE BB-(Is); Stable | 1)CARE BB-(Is); Stable (07-Apr-17)        | -   | 1)CARE B (Is) (09-Mar-16)<br>2)CARE B (Is) (20-Apr-15) | -   |

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