

Binny Limited

April 2, 2019

Ratings

Facilities	Rating ¹	Rating Action
Issuer Rating	CARE BB (Is); Stable [Double B (Issuer Rating); Outlook: Stable]	Revised from CARE BB- (Is); Stable [Double B Minus (Issuer Rating); Outlook: Stable]

The issuer rating is subject to the company maintaining overall gearing not exceeding 2.01x (expected level as on March 31, 2019)

Detailed Rationale & Key Rating Drivers

The revision in rating assigned to Binny Limited (Binny) factors in the 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 FY18 (refers to the period April 1 to March 31). The rating also draws strength from the long-standing experience of the promoters.

The rating is, however, constrained by Binny's exposure to group companies, other capital expenditure plans of the company 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 income from its joint venture real estate project on a timely basis and monetise its remaining land banks would be key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

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 in Chennai which was envisaged to be developed in two phases. Binny is the land owner and would receive 40% of the project revenue towards its share. The project was expected to be developed in two phases wherein the first phase was expected to be completed and delivered by FY21. Further, on account of the increase in basic FSI in Chennai by the government, the project cost is expected to reduce as payment to the government for availing premium FSI would not be required now. The total project cost of is expected to be around Rs.750 crore and sanctions amounting to Rs.615 crore have been obtained. The project received approval from Real Estate Regulatory Authority (RERA) in February 2018. As on January 31, 2017, total of 400 residential units (of total 674 units) and 11 bungalows/villas (of total 85 villas) have been sold as against 385 residential units and 9 bungalows/villas as on December 31, 2017. Further, the township project also envisages a wholesale market with around 2700 shops. As on January 2019, 1070 shops of the total 2700 shops have been booked. As on even date, SPR has received booking advance of around Rs.102.24 crore for sale of residential units, villas and shops and Binny has received Rs.40.90 crore towards its share of the booking advance. Further, Binny monetized its other land banks during FY18 for a total sales consideration of Rs.45 crore and received the entire amount in FY18. Binny has also received advance from another entity for sale of 3.3 acre at a total sale value of Rs.41 crore.

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. The management also has plans to enter into the textile space which is its forte.

Key Rating Weaknesses

Other capital expenditure plans and group exposure: In addition to the joint venture project with SPR, the company has also planned to enter the wholesale textile business and had paid advance amounting to around Rs.265 crore as on March 31, 2018 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 did not approve the transaction pertaining to purchase of land of 12.43 acres. As a result, the company has recalled the advance paid (Rs.183 crore) and the same is pending for recovery. Besides these transactions, Binny had also paid Rs.61 crore as advance for purchase of windmill

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

from group company which has since been cancelled and advance has been recalled. Including the same, as on March 31, 2018, Binny had about Rs.395 crore exposure to its group entities.

Unpaid Outstanding Cumulative Preference Share Capital and interest accrued: As on March 31, 2018, the company had debt in the form of cumulative redeemable preference share (CRPS) capital amounting to Rs.234 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 in June 2016 and January 2017 and the company has extended the due dates till June 2021 and January 2022 with approval from the investors. Binny had proposed an arrangement wherein the unpaid cumulative preference shares along with the accrued interest would be converted into 18% Non-Convertible Debentures (NCD) with a tenure of 10 years. The proposal was approved by the preference shareholders. Subsequently the stock exchange and SEBI cleared the same. However, the proposal is still pending approval from MCA.

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)	FY17 (A)	FY18 (A)
Total operating income	455.59	60.61
PBILDT	424.59	56.00
PAT	290.40	6.54
Overall gearing (times)	0.34	1.31
Interest coverage (times)	193.88	2.47

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. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Issuer Rating-Issuer Ratings	Issuer rat	0.00	CARE BB (Is); Stable	-	1)CARE BB-(Is); Stable (20-Mar-18) 2)CARE BB-(Is); Stable (07-Apr-17)	-	1)CARE B (Is) (09-Mar-16) 2)CARE B (Is) (20-Apr-15)

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