

Binny Limited

April 06, 2020

Ratings

Facilities / Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Issuer Ratings*	-	CARE BB (Is); Stable [Double B (Issuer Rating); Outlook: Stable]	Reaffirmed

Details of facilities in Annexure-1

* The issuer rating is subject to the company maintaining overall gearing not exceeding 2.01x (expected level as on March 31, 2021)

Detailed Rationale & Key Rating Drivers

The rating assigned to Binny Limited (Binny) continues to be 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.

The ratings however favorably factor in the long-standing experience of the promoters and the progress in its real estate joint venture project (where Binny is the land holding partner).

Rating Sensitivities

Positive Factors

- Significant reduction of exposure to group entities

Negative Factors

- Significant delay in realization of prepaid advances from related parties and Customer advances on the sale of residential and commercial units.
- Significant realization of contingent liabilities

Credit Risk Assessment

Key Rating Weaknesses

Other capital expenditure plans and group exposure

Apart from the joint venture project with SPR Constructions Private Limited (SPR) for development of an integrated township project, 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) along with interest (Rs.33 crore) and the same is pending for recovery as on March 31, 2019. 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. The company has also charged Rs.9 crore as interest for the same. On the whole, as on March 31, 2019, Binny had about Rs.433 crore exposure to its group entities.

Further, Binny planned to venture into the wholesale trading of textile goods and has paid advances to the tune of Rs.279 crore as on March 31, 2019 (PY: Rs.266 crore) to few textile traders and manufacturers. Currently, the company has decided not to commence the trading and has requested for return in advances.

Unpaid Outstanding Cumulative Preference Share Capital and interest accrued

As on March 31, 2019, 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 30, 2021 and September 29, 2023 with approval from the investors. Earlier Binny had proposed an arrangement wherein the unpaid cumulative preference shares along with the accrued interest would be converted into Non-Convertible Debentures (NCD) with a tenure of 10 years. However, the company had dropped the plan of conversion to NCD.

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.

Progress in the township project and monetisation of land bank

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

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 is expected to be developed in two phases wherein the first phase was expected to be completed and delivered by FY21. 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 September 30, 2019, total of 444 residential units and 22 bungalows/villas have been sold as against 400 residential units and 11 bungalows/villas as on January 31, 2019. Further, the township project also envisages a wholesale market with around 2700 shops. As on September 2019, 963 shops of the total 2700 shops have been booked. SPR has received booking advance of around Rs.446 crore for sale of residential units, villas and shops and Binny has received Rs.179 crore towards its share of the booking advance as on September 30, 2019. Binny Ltd. does not have any income pertaining to the sale of land from the existing land bank during FY19 and 9mFY20. Earlier Binny has received advance of Rs.19 crore from another entity for sale of 3.3 acre at a total sale value of Rs.41 crore.

Liquidity: Adequate

Binny is a land holding partner in its real estate joint venture project with SPR Constructions where Binny would receive 40% of the project revenues as its share. As on September 30, 2019, Binny has received around Rs.179 crore towards its share of the booking advance. As on September 30, 2019, term loan outstanding stood at Rs.90 crore. Though the majority of term loan repayment starts only from FY21, the company has been prepaying the term loans from the booking advance received from the project. Further, as on September 30, 2019, total cash & bank balances of the company stood at around Rs.6.70 crore.

Analytical approach: Standalone

Applicable Criteria

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

[CARE Policy on Default Recognition](#)

[Financial ratios \(Non-Financial Sector\)](#)

[CARE's 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, 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)	FY18 (A)	FY19 (A)
Total operating income	60.61	42.52
PBILDT	56.00	37.90
PAT	6.54	-15.02
Overall gearing (times)	1.31	1.18
Interest coverage (times)	2.47	0.82

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

Annexure-1: Details of Instruments/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.	Name of the	Current Ratings	Rating history
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No.	Instrument/Bank Facilities	Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Issuer Rating-Issuer Ratings	Issuer rat	0.00	CARE BB (Is); Stable	1)CARE BB (Is); Stable (02-Apr-19)	-	1)CARE BB-(Is); Stable (20-Mar-18) 2)CARE BB-(Is); Stable (07-Apr-17)	-

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.

Contact us

Media Contact

Mradul Mishra

Contact no.: 022 6837 4424

Email: mradul.mishra@careratings.com

Analyst Contact

Name: Mr P Sudhakar

Contact no.: 044-2850 1000

Email: p.sudhakar@careratings.com

Relationship Contact

Name: Mr. V Pradeep Kumar

Contact no.: 044-28497812

Email: pradeep.kumar@careratings.com

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