

Binny Limited

April 7, 2017

Ratings

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

Detailed Rationale & Key Rating Drivers

The revision in the rating assigned to Binny Limited (Binny) factors in the progress in its real estate joint venture project (where it is the land holding partner) and monetisation of other land banks of the company during 9MFY17 (refers to the period April 1 to December 31). The rating also draws strength from the long-standing experience of the promoters.

The rating is, however, constrained by the exposure to group companies, nascent stage of the real estate JV 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 increase the revenues from monetisation of its land banks & real estate projects and maintain the overall gearing at 2.01x would be the key rating sensitivity.

Detailed description of the key rating drivers

Key Rating Strengths

Progress in real estate project and monetisation of land bank: Binny had entered into a Joint Development Agreement (JDA) with SPR Constructions Private Limited (SPR) for developing around 64 acres of land into an integrated township at a total project cost of about Rs.3000 crore. The JDA is on revenue sharing basis where, Binny will receive 40% of the revenues and the remaining 60% will go to the developer. The first phase of the project received the requisite approvals in January 2017 and has also received initial debt funding. The soft launch for first phase happened in October 2016 and about 370 units (out of total proposed 900 units) were offered to the market, and the entire 370 units were booked as on January 31, 2017. The JV has received Rs.20 crore as customer advances during 9MFY17.

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 the promoter family) having extensive industrial experience. Going forward, 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: The company is also exploring the possibility of entering the wind energy space by putting up a 50 MW power plant at a total cost of Rs.320 crore, which is however at a nascent stage. The company has also 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 12.4 acres of land. However, the shareholders of Binny have not approved one of the transactions pertaining to purchase of land of 12.4 acres. As a result, the company has recalled the advance paid (Rs.183.65 crore) and the same is pending for recovery. Including the same, as on March 31, 2016, Binny had about Rs.384 crore of exposure to its group entities.

Unpaid Outstanding Cumulative Preference Share Capital and Interest accrued on them: As on March 31, 2016, 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. Redemption was due on September 30, 2015 and the company has extended the due date till September 30, 2020 with approval from the investors. The company proposed to convert the CRPS and unpaid interest accrued into 18%

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

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. On receipt of approval from SEBI and other authorities, the CRPS is expected to be converted into 18% NCD with effect from October 1, 2014.

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.

The company reported a net loss of Rs.8.71 crore on a total operating income of Rs.1.79 crore in FY16 as compared to a PAT of Rs.1.96 crore on a total operating income of Rs.7.84 crore in FY15. The company achieved a PAT of Rs.307.70 crore on a total operating income of Rs.455.22 crore for 9MFY17.

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.

Analyst Contact:

Name: Mr C Harihara Subramanian

Tel: 044-2849 0811

Mobile: +91 97899 98514

Email: harihara.subramanian@careratings.com

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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. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015	Date(s) & Rating(s) assigned in 2013-2014
1.	Issuer Rating-Issuer Ratings	Issuer rat	0.00	CARE BB-(Is); Stable	-	1)CARE B (Is) (09-Mar-16) 2)CARE B (Is) (20-Apr-15)	-	-

CONTACT**Head Office Mumbai****Mr. Amod Khanorkar**

Mobile: + 91 98190 84000

E-mail: amod.khanorkar@careratings.com**Mr. Saikat Roy**

Mobile: + 91 98209 98779

E-mail: saikat.roy@careratings.com**CREDIT ANALYSIS & RESEARCH LIMITED**

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com**AHMEDABAD****Mr. Mehul Pandya**32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015

Cell: +91-98242 56265

Tel: +91-79-4026 5656

E-mail: mehul.pandya@careratings.com**BENGALURU****Mr. Deepak Prajapati**Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.

Cell: +91-9099028864

Tel: +91-80-4115 0445, 4165 4529

E-mail: deepak.prajapati@careratings.com**CHANDIGARH****Mr. Sajan Goyal**SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh

Cell: +91 99888 05650

Tel: +91-172-5171 100 / 09

Email: sajan.goyal@careratings.com**CHENNAI****Mr. V Pradeep Kumar**Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.

Cell: +91 98407 54521

Tel: +91-44-2849 7812 / 0811

Email: pradeep.kumar@careratings.com**COIMBATORE****Mr. V Pradeep Kumar**T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.

Tel: +91-422-4332399 / 4502399

Email: pradeep.kumar@careratings.com**HYDERABAD****Mr. Ramesh Bob**401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.

Cell : + 91 90520 00521

Tel: +91-40-4010 2030

E-mail: ramesh.bob@careratings.com**JAIPUR****Mr. Nikhil Soni**304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.

Cell: +91 – 95490 33222

Tel: +91-141-402 0213 / 14

E-mail: nikhil.soni@careratings.com**KOLKATA****Ms. Priti Agarwal**3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.

Cell: +91-98319 67110

Tel: +91-33- 4018 1600

E-mail: priti.agarwal@careratings.com**NEW DELHI****Ms. Swati Agrawal**13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.

Cell: +91-98117 45677

Tel: +91-11-4533 3200

E-mail: swati.agrawal@careratings.com**PUNE****Mr. Pratim Banerjee**9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.

Cell: +91-98361 07331

Tel: +91-20- 4000 9000

E-mail: pratim.banerjee@careratings.com

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