



# BINNY LIMITED

Estd 1799

CIN No. : L 17111TN1969PLC005736

SEC/2017-18/SE/0005

April 11, 2017

**Bombay Stock Exchange Ltd.  
Department of Corporate Services  
Phiroze Jee Jee Bhoj Towers,  
Dalal Street,  
Mumbai – 400 001**

Dear Sir,

**Sub: Update – Revision in Rating  
Scrip Code No. 514215**

We are pleased to inform you that the External credit rating agency CARE has revised the Company's rating by one notch up from "B" to "BB-".

The External rating agency has assigned the following as reason for revision in rating :

"Progress in its real estate joint venture project (JDA) with M/s. SPR Constructions Private Limited (SPR) and monetization of other land banks".

The copy of the letter dt. April 5, 2017 issued by CARE along with rationale for revision is enclosed herewith.

The Company received the rating information today through courier.

This is for your information and records.

Thanking you,

Yours faithfully,

**For, BINNY LIMITED**

**(T. Krishnamurthy)  
Chief Financial Officer and Company Secretary**



Encl: Issuer Rating by CARE dt. April 5, 2017

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Tin : 33490120005 Website: www.binnyltd.in

**CARE/CRO/RR/2016-17/1384**

**Shri T Krishnamurthy**  
CFO & Company Secretary  
**Binny Limited**  
No.1, Cooks Road  
Perambur  
Chennai – 600 012

April 5, 2017

Dear Sir,

Issuer Rating

Please refer to our letter dated March 2, 2017 on the above subject

2. The rationale for the ratings is attached as an **Annexure - I**.
3. A write-up (press release) on the above ratings is proposed to be issued to the press shortly. A draft of this is enclosed for your perusal as **Annexure - II**.
4. We request you to peruse the annexed documents and offer your comments, if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by April 7, 2017, we will proceed on the basis that you have no comments to offer.

If you have any further clarifications, you are welcome to approach us.

Thanking you,

Yours faithfully,



**Harihara Subramanian C**  
Senior Manager

Encl: As above

**Annexure - I**

**Rating Rationale**

**Binny Limited**

**Rating**

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

**Rating Rationale**

*The revision in 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 from 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 key rating sensitivities.*

**Background**

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.

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

## **Credit Risk Assessment**

### ***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.

Furthermore, in order to monetise its balance land banks, Binny sold about 21 acres of land parcel to three different entities for a total amount of Rs.455.22 crore 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 promoter family) having extensive industrial experience. Going forward, the management also has plans to enter into the textile space which is its forte.

### ***Other capital expenditure plans and group exposure***

Besides real estate and textile wholesale business, 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. Furthermore, the company has 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% 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.

## Financial Performance

(Rs. Cr)

<i>For the period ended / as at March 31,</i>	2014 (12m, A)	2015 (12m, A)	2016 (12m, A)
<b><u>Working Results</u></b>			
Income from Continuing Operations	9	8	2
PBILDT	-19	5	-2
Interest	0	2	5
Depreciation	0	1	0
PBT	-19	3	-6
PAT	-61	2	-9
Gross Cash Accruals	-60	3	-9
<b><u>Financial Position</u></b>			
Equity Share capital	11	11	11
Net Worth	66	68	60
Total Capital Employed	184	206	197
<b><u>Key Ratios</u></b>			
<i>Growth (%)</i>			
Growth in Total income (%)	11.58	-15.55	-77.17
Growth in PAT (after deferred Tax) (%)	-1,476.18	-103.24	-543.25
<i>Profitability (%)</i>			
PBILDT / Total Op. income (%)	-202.55	63.75	-91.61
PAT (after deferred tax)/ Total income (%)	-652.57	25.06	-486.48
ROCE (%)	-25.06	2.50	-1.88
<i>Solvency(times)</i>			
Long Term Debt Equity ratio (times)	1.77	2.01	2.31
Overall Gearing (Times)	1.77	2.01	2.31
PBILDT / Interest (Times)	-1,262.03	2.56	-0.36
PBIT / Interest (Times)	-1,278.14	2.23	-0.40
Term debt/Gross cash accruals (years)	-1.94	52.60	-16.16
Total debt/Gross cash accruals (years)	-1.94	52.60	-16.16
<i>Liquidity (times)</i>			
Current ratio	1.44	0.86	0.41
Quick ratio	1.44	0.86	0.41
<i>Turnover</i>			
Average collection period (days)	70	40	90
Average creditors (days)	47	13	19
Average inventory (days)	0	0	0
Operating cycle (days)	23	27	71

A: Audited

**Disclaimer**

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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.

of

**Annexure-II**  
**Binny Limited**

**Ratings**

Type of Rating	Rating <sup>2</sup>	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 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 from 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 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 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)

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



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% 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](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:**

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

**Disclaimer**

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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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)	-	-