

## Binny Limited

February 06, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Issuer rating Issuer Rating	0.00	CARE C	Revised from CARE BB (Rating Watch with Developing Implications) and removed from Rating Watch with Developing Implications

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The revision in the issuer rating of Binny Limited (Binny) follows the company being in receipt of a notice of default in respect of financial assistance availed by its project developer SPR Construction Private Limited (SPR). Binny has extended a corporate guarantee for an amount of Rs.50 Cr for the assistance availed by SPR which it believes is already paid but this is yet to be confirmed by the trustees to the debt. Further, it is observed that the said notice is for an amount of Rs.392.34 Cr dues wherein Binny along with other parties has been tagged as an obligor. CARE Ratings Limited (CARE Ratings), also notes that there had not been any mention of the contingent liability on account of the corporate guarantee extended in the audited accounts of the company for the last three years.

Further, the rating assigned to Binny had been placed on 'Rating watch with Developing Implications' following SEBI's appointment of M/s. Chokshi & Chokshi LLP, Mumbai for carrying out forensic audit of the financial statements of the company from March 2014 to March 2021. With no further developments and disclosures with respect to the forensic audit report ordered by SEBI despite considerable time lapse and with receipt of a notice of default, CARE Ratings has removed the ratings from rating watch with development implications.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Monetization of land banks and income realization from its joint venture real estate project on a timely basis.
- Improvement in total operating income above Rs.200 Cr.
- Resolution of default notice received with respect to the guaranteed debt of the project developer.

#### Negative factors

- Any unfavourable outcome on the ongoing legal dispute with the project developer leading to strain in the liquidity of the company.

**Analytical approach:** Standalone

### Detailed description of the key rating drivers:

#### Key weaknesses

##### Default by real estate developer SPR to whom corporate guarantee was extended

Binny Ltd has received default notice from Catalyst Trusteeship Limited (Catalyst) in connection with the default of loans by SPR for loan facilities/debentures totaling Rs.392.34 Cr. Binny has extended corporate guarantee and mortgage of its lands towards the loans availed by SPR. Binny has indicated in the corporate announcement that it has given corporate guarantee for Rs.50 Cr of the referred loan amount, which company believes that has been already paid as per its calculation but confirmation on the same is yet to be received from Catalyst/ SPR. However, it is observed that the said notice is for an amount of Rs.392.34 Cr dues wherein Binny along with other parties has been tagged as an obligor. CARE Ratings also notes that there had not been any mention of the contingent liability on account of the corporate guarantee extended in the audited accounts of the company for the last three years. CARE Ratings also notes that the statutory auditors to the company have also resigned in January 2024 stating that they are unable to continue as statutory auditors of the company and new statutory auditor has been appointed.

##### Ongoing dispute with real estate developer SPR leading to delay in realization of income

Binny Ltd has been developing real estate on its 64-acre plot of land in Perambur, Chennai, in collaboration with SPR Construction Private Limited (SPR), known as 'SPR City', with a profit-sharing ratio of 40:60. The project commenced in 2017. Binny has stated in its stock exchange filings that the JDA with the developer is currently under arbitration and the matter is still pending at the Hon'ble Madras High Court.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

### Exposure of cash flows to real estate sector with inherent competition and cyclicality

The company is exposed to the cyclicality associated with the real estate sector, which is directly linked to the overall macroeconomic scenario, interest rates and the level of disposable income available to individuals. Furthermore, the properties developed by Binny/SPR are centered in the Chennai region, which is highly fragmented with a large number of developers.

### Regulatory risk associated with the alcohol industry

As a part of inter group transactions, Binny acquired distillery unit having capacity of 65 KLPD of Mohan Breweries and Distilleries Limited (rated CARE D; INC). The Distillery has been taken over by the company from October 09, 2021. The alcohol industry is subject to stringent regulations by the respective state and the operations regarding licensing, pricing and distribution are subject to strict control by Government.

### Key strengths

#### Long standing experience of the promoter & established track record of operations in the Chennai market

Mr. Nandagopal is associated with the company for over four decades and has extensive industrial experience. He is supported by other members of top management (also forming part of the promoter family) having extensive industrial experience.

### Liquidity: Poor

Binny Limited's poor liquidity profile is represented by subdued cash creation against the backdrop of dispute with the real estate developer SPR and the developer defaulting on their credit repayments. This has caused delays in the realization of income from the monetization of land banks.

### Applicable criteria

[Financial Ratios – Non financial Sector](#)

[Issuer Rating](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Policy on default recognition](#)

[Rating methodology for Real estate sector](#)

[Rating Outlook and Credit Watch](#)

### About the company and industry

#### Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Realty	Realty	Real Estate related services

Binny Ltd 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 crisis. 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 Limited (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 were demolished for project development.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	March 31, 2023 (A)
Total operating income	29.36	74.35	154.38
PBILDT	19.17	58.94	110.35
PAT	20.27	33.46	59.39
Overall gearing (times)	0.41	0.00	0.00
Interest coverage (times)	0.68	3.75	14.64

A: Audited; Note: 'the above results are latest financial results available'

Note: The results for March 31, 2023, is the latest available results and the company has not disclosed quarterly results post that to the stock exchanges.

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

**Any other information:** Not applicable

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

**Covenants of rated instrument / facility:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated:** Annexure-4

**Lender details:** Annexure-5

#### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Issuer Rating- Issuer Ratings		-	-	-	0.00	CARE C

**Annexure-2: Rating history for the last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Issuer Rating-Issuer Ratings	Issuer rat	0.00	CARE C	1)CARE BB (RWD) (05-Apr-23)	1)CARE BB (RWD) (26-Dec-22) 2)CARE BB (Is) (CW with Developing Implications) (29-Jun-22)	1)CARE BB (Is) (CW with Developing Implications) (30-Nov-21) 2)CARE BB (Is) (CW with Developing Implications) (08-Sep-21) 3)CARE BB (Is); Stable (08-Apr-21)	1)CARE BB (Is); Stable (06-Apr-20)

\*Long term/Short term.

**Annexure-3: Detailed explanation of covenants of the rated instruments/facilities:** Not applicable**Annexure-4: Complexity level of the various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Issuer Rating-Issuer Ratings	Simple

**Annexure-5: Lender details**To view the lender wise details of bank facilities please [click here](#)

**Note on the complexity levels of the rated instruments:** CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

## Contact us

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