

## Binny Limited

June 29, 2022

### Rating

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Issuer rating*	0.00	CARE BB (Is) (CWD)	Continues to be on Credit watch with Developing Implications
<b>Total Instrument</b>	<b>0.00 (₹ Only)</b>		

Details of instruments/facilities in Annexure-1.

\* The issuer rating would be subject to overall gearing not exceeding 1.28 times

### Detailed rationale and key rating drivers

The rating assigned to Binny Limited (Binny) had been placed on 'Credit watch with Developing Implications' following announcement of incorporation of a Wholly owned subsidiary for setting up a 195 KLPD Grain based Distillery for production of Fuel Ethanol and the proposed 2 MW Solar Power Project by Binny and the possible impact of the same on credit profile of the company. The company has now indicated that it does not plan to pursue these projects for a period of two years.

Binny had also proposed to acquire, subject to shareholder's approval, the immovable properties (mostly land and unit of distillery having capacity of 65 KLPD) of Mohan Breweries and Distilleries Limited (MBDL) to be set off against considerations payable by MBDL to Binny. In this regard, the company has acquired the assets of MBDL and is in the process of registering in its name. Further, Binny had also agreed to transfer part of its receivables to MBDL and to set off the same against redemption of preference shares issued by Binny to MBDL. Based on the approval received from the shareholders, the company has set off the receivables against the redemption of preference shares.

Further, Binny Ltd, in its submission to stock exchange had informed that SEBI has appointed M/s. Chokshi & Chokshi LLP, Mumbai for carrying out forensic audit of the financial statements of the company from March 2014 to March 2021. The company has not disclosed any further developments on this count to the stock exchanges and CARE will continue to monitor developments in this regard and the rating continues to remain on Credit watch with Developing implications.

The rating assigned to Binny is constrained by cash flows associated with the highly competitive and cyclical real estate industry and acquisition of its group company's distillery business and related regulatory risks associated with the alcohol industry. The rating however favorably factors 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 – Factors that could lead to positive rating action/upgrade:

- Monetise its land banks and realise income from its joint venture real estate project on a timely basis

#### Negative factors – Factors that could lead to negative rating action/downgrade:

- Significant delay in realization of Customer advances on the sale of residential and commercial units
- Larger debt funded capex resulting in the weakening of financial risk profile

### Detailed description of the key rating drivers

#### Key rating weaknesses

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

The company is exposed to the cyclicity associated with the real estate sector which has direct linkage with the general macroeconomic scenario, interest rates and level of disposable income available with individuals. Apart from this, outbreak of Covid-19 pandemic has impacted the overall demand for residential real estate. However, the residential real estate market in Chennai is now witnessing a gradual revival in demand following the opening up of the economy. Factors like pent-up demand for properties, incentives by sellers in the form of discounts, reduction in interest rates for home loans and availability of ready to move in units supporting the demand revival.

#### 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 (MBDL- rated CARE D; INC). The Distillery has been taken over by the company from October 09, 2021 and is in the process of getting regulatory approval for transfer of distillery license in its name. Based on the financial statements as on March 31, 2022, the distillery division has earned a profit of Rs.4.25 crores from October 09, 2021 to March 31, 2022. 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 rating strengths

#### Experience of the promoters:

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 promoter family) having extensive industrial experience.

<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

### 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 phases. Binny is the landowner and would receive 40% of the project revenue towards its share. As on March 31, 2022, in phase I, total of 546 residential units (~78% of total saleable units) and 28 villas (~33% of total saleable units) had been sold. Further, the township project also envisages a wholesale market with around 2853 shops in Phase I. As on March 2022, 1,740 shops of the total 2,853 shops have been booked. SPR has received booking advance of around Rs.850 crore for sale of residential units, villas and shops and Binny has received Rs.340 crore towards its share of the booking advance as on March 31, 2022.

### Acquisition of immovable properties from MBDL:

As part of inter group transactions, Binny acquired land bank worth Rs. 454 crores from MBDL which includes about 12.43 acres of land in Valasaravakkam, Chennai and about 850 acres land in Perungudi, Tirunelveli Tamil Nadu and other two lands located in Irukundrampalli Village (62.386 acres) and Ozhalur Village (42.46 acres). The registration formalities for the land located in Valasaravakkam is completed on May 26, 2022. Further, the company is in the process of registering the land located in Irukundrampalli Village and Ozhalur Village. The above assets acquired including 65 KLPD Distillery is on account of setting of the advances which was receivable from MBDL. The company has entered joint venture with a real estate developer, for development of 12.43 acres of land. In addition, it also has entered into a sale agreement for sale of 600 acres of land in Perungudi, both of which are expected to generate sufficient cash flow in the near term.

### Liquidity: Stretched

Schedule repayment for FY23 is Rs.0.84 crore as against cash accrual of Rs.33.76 crore achieved during FY22. The company had free cash balance of Rs.2.08 crore and deposits with bank for Rs.2.82 crore as on March 31, 2022. The company had outstanding of Rs. 265.99 crores towards preference shares and its accumulated dividend, the same has been adjusted against Binny Ltd's trade receivable sold to MBDL

**Analytical approach:** Standalone

### Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Rating methodology for Real estate sector](#)

[Issuer Rating-CARE](#)

### About the company

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 demolished for project development.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	31-03-2022 (A)
Total operating income	83.04	71.25	84.58
PBILDT	76.27	61.08	69.16
PAT	(17.80)	20.27	33.46
Overall gearing (times)	1.28	0.92	-
Interest coverage (times)	1.99	2.15	4.40

A: Audited

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

**Any other information:** Not Applicable

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

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

**Complexity level of various instruments rated for this company:** Annexure-4

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

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Issuer Rating-Issuer Ratings		-	-	-	0.00	CARE BB (Is) (CWD)

**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 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Issuer Rating-Issuer Ratings	Issuer rating	0.00	CARE BB (Is) (CWD)	-	1)CARE BB (Is) (CWD) (30-Nov-21) 2)CARE BB (Is) (CWD) (08-Sep-21) 3)CARE BB (Is); Stable (08-Apr-21)	1)CARE BB (Is); Stable (06-Apr-20)	1)CARE BB (Is); Stable (02-Apr-19)

**Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: Not Applicable****Annexure-4: Complexity level of various instruments rated for this company**

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

**Annexure-5: Bank lender details for this company**

To view the lender wise details of bank facilities please [click here](#)

**Note on 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.

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