

Binny Limited

November 30, 2021

Ratings

Facilities	Amount (Rs. Cr)	Rating ¹	Rating Action
Issuer Rating*	-	CARE BB (Is); (CWD) [Double B (Issuer Rating); (Under Credit watch with Developing Implications)]	Continues to be on Credit watch with Developing implications
Total Instrument	-		

Details of instruments/facilities in Annexure-1

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

Detailed Rationale & 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. Binny also had 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. Further, Binny will transfer part of its receivables to MBDL and to set off the same against redemption of preference shares issued by Binny to MBDL. CARE takes note of the approval received from the shareholders for the above transactions. However, clarity remains to be seen on the capital expenditure required and debt to be availed, if any for the proposed expansion and CARE will continue to monitor the same.

Binny Ltd, in its submission to stock exchange has 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. CARE will monitor the development with respect to the forensic audit. Further, CARE also takes note of the fact that the unaudited results for the quarter September 30, 2021 is pending to be published.

The rating assigned to Binny is constrained by exposure to group companies, cash flows subject to highly competitive and cyclical real estate industry and proposed expansion of business in non-core activities. The rating however favourably 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 real estate market in Chennai has seen slowdown in bookings during the last two years due to various reasons including implementation of RERA, General slowdown in the economy and the past natural calamities. Apart from this, recent outbreak of Covid-19 pandemic in FY21 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 relaxation in lockdown norms. 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.

Venture in non-core activities

Binny has planned to venture into grain-based distillery for production of fuel ethanol and solar power projects as per exchange filings.

²Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

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.

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 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 FY22 end. As on December 31, 2020, total of 502 residential units (~72% of total saleable units) and 26 villas (~30% of total saleable units) had been sold as against 444 residential units and 22 bungalows/villas as on September 30, 2019. Further, the township project also envisages a wholesale market with around 2700 shops. As on September 2019, 1,338 shops of the total 2,700 shops have been booked. SPR has received booking advance of around Rs.621 crore for sale of residential units, villas and shops and Binny has received Rs.229 crore towards its share of the booking advance as on December 31, 2020.

During FY21 the company has reported operating revenue of Rs.71 crore as against Rs.83 crore in FY20. The decrease in revenue was mainly due to higher revenue in FY20 from sale of land parcel (where the company has completed registration to the tune of Rs.36 crore in FY20). The company has booked revenue from sales of flats for Rs.29 crore in FY21 apart from interest income.

Liquidity: Stretched

Schedule repayment for FY22 is Rs.0.04 crore as against cash accrual of Rs.18 crore achieved during FY21. The company had free cash balance of Rs.2.82 crore and deposits with bank for Rs.2.80 crore as on March 31, 2021.

Analytical approach: Standalone

Applicable Criteria

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

[CARE's Policy on Default Recognition](#)

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

[CARE's Issuer Rating](#)

[Liquidity analysis for non-financial sector entities](#)

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 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 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. The results for Q2FY22 is pending to be published by the Binny Limited.

Brief Financials (Rs. crore)	FY20 (A)	FY21(A)	Q1FY22 (P)
Total operating income	83.04	71.25	13.76
PBILDT	76.27	61.08	12.23
PAT	(17.80)	20.27	3.61
Overall gearing (times)	1.28	0.92	-
Interest coverage (times)	1.99	2.15	1.98

A: Audited P: Provisional

Note: The company has reclassified secured loans of about Rs.80.0 crore from borrowings to other current liabilities which has contributed to better overall gearing in FY2021.

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 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 (Rs. crore)	Rating assigned along with Rating Outlook
Issuer Rating-Issuer Ratings		-	-	-	0.00	CARE BB (Is) (CWD)

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 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Issuer Rating-Issuer Ratings	Issuer rating	0.00	CARE BB (Is) (CWD)	1)CARE BB (Is) (CWD) (08-Sep-21) 2)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 covenants of the rated instrument / facilities: Not Applicable

Annexure 4: Complexity level of various instruments rated for this company: Not Applicable

Annexure 5: Bank Lender Details for this Company: Not Applicable

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

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About CARE Ratings:

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