



Press Release
Hazel Infra Limited
August 08, 2024
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	75.00	-	ACUITE A4 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	75.00	-	-

Rating Rationale

Acuite has reaffirmed the short term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs.75.00 Crores bank facilities of Hazel Infra Limited (HIL).

Rationale for rating recommendation

The rating reflects HIL's acquisition of Reliance Naval and Engineering Limited (RNAVAL) under the resolution plan. HIL will support in reviving the manufacturing of defence ships, ship repairs, ship recycling that forms the core business of RNAVAL. The rating is however constrained by the nascent stage of current operations in the revival plan and the regulatory risk surrounding the work sphere of RNAVAL.

About the Company

Mumbai based Hazel Infra Limited was incorporated in 2008 and is engaged in the business of building warships etc. The directors of the company include Mr. Nitinkumar Dindayal Didwania, Mr. Chetan Kanaiyalal Selarka, Mr. BHAVIK Nikhil Merchant and Mr. Vivek Paresh Merchant. HIL is an SPV of Swan Energy Limited and Hazel Mercantile Limited, wherein, Swan Energy Limited holds 74% of the equity stake and Hazel Mercantile Limited holds 26% equity stake in HIL. Mumbai Swan Energy Limited (SEL) was incorporated in the year 1909 as Swan Mills Limited by J.P. Goenka Group and taken over by Dave and Merchant families in 1992 and Hazel Mercantile Limited was incorporated in 1995 and is currently managed by Mr. Nitinkumar Dindayal Didwania. The company is engaged in trading & distribution of chemicals.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profile of Hazel Infra Limited to arrive at this rating.

Key Rating Drivers

Strengths

Niche area of operations & In-principle agreement with Naval Engineering Services (NES)

HIL has acquired RNaval and has entered into an in-principle agreement with NES for the manufacturing of the ships and submarines. RNaval is engaged in the manufacturing of defence ships and submarines along with ancillary activities such as ship repairs, ship recycling and is the first company in the private sector to be engaged in defence shipbuilding in India, thus awarding it a competitive edge over the other probable entrants. Further, NES is a highly reputed company with requisite experience and strength in the field of design, construction, repair, modernisation / refurbishment of full range of conventional and strategic naval assets

including ships and submarines for Navy & Coast Guard.

Weaknesses

Nascent stage of operations

HIL's acquisition of RNaval under the resolution plan is towards revival of operations of RNaval. However, the operations are at a nascent stage, where, HIL is in the process of reviving the operations of RNaval. The operations have yet not started and are expected to begin by Q3 FY25. Acuité believes that the ability of HIL to ensure revival of RNaval within the expected timeline will remain a key rating sensitivity.

Exposure to Regulatory Risk

Indian defence industry is a highly government regulated industry. There have been continuous regulatory changes in terms of the government's policies towards manufacturing defence assets. The industry is expected to remain highly regulated by the government going forward, exposing the business risk profile to adverse regulatory changes. Acuité believes that any government regulation could have significant impact on the operating income and profitability of the company.

Rating Sensitivities

- Ability to revive the operations as per the schedule
- Government regulations impacting the industry

Liquidity Position

Adequate

The liquidity profile of the company is adequate marked by adequate cash accruals to its maturing debt obligations. The company has generated net cash accruals of Rs.0.07 Cr. as on 31st March 2024 (Prov.) against no debt repayment obligation over the same period. Going forward, the company is expected to generate net cash accruals under the range of Rs.0.11 to Rs.0.14 Cr. against no debt repayment obligations over the same period. The current ratio of the company stood at 11.51 times as on 31st March 2024(Prov.) against 0.87 times as on 31st March 2023. Further, the cash and bank balance available with the company stood at Rs.0.28 Cr. as on 31st March 2024 (Prov.). Acuité believes that going forward the company will maintain adequate liquidity position due to steady accruals.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	0.00	0.00
PAT	Rs. Cr.	0.07	0.14
PAT Margin	(%)	0.00	0.00
Total Debt/Tangible Net Worth	Times	0.76	75.57
PBDIT/Interest	Times	2.65	1915.00

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
15 Jul 2024	Bank Guarantee (BLR)	Short Term	75.00	ACUITE A4 (Reaffirmed & Issuer not co-operating*)
21 Apr 2023	Bank Guarantee (BLR)	Short Term	75.00	ACUITE A4 (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Union Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	75.00	ACUITE A4 Reaffirmed

Contacts

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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