

## Zodiac Energy Limited

April 03, 2025

Facilities	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term bank facilities	12.62	CARE BBB-; Stable	Assigned
Long-term bank facilities	111.33 (Enhanced from 103.00)	CARE BBB-; Stable	Reaffirmed
Long-term / Short-term bank facilities	35.55	CARE BBB-; Stable / CARE A3	Assigned
Long-term / Short-term bank facilities	28.00 (Enhanced from 7.00)	CARE BBB-; Stable / CARE A3	Reaffirmed
Short-term bank facilities	1.50	CARE A3	Assigned

Details of facilities in Annexure-1.

### Rationale and key rating drivers

Ratings assigned to bank facilities of Zodiac Energy Limited (ZEL) continue to derive strength from its experienced promoters with established track record of execution of solar power projects on engineering, procurement and engineering (EPC) basis, healthy orderbook position, growing scale of operations, improvement in profitability margins and adequate liquidity.

Ratings also take cognisance of low implementation risk associated with project awarded under KUSUM scheme as an independent power producer (IPP) and long-term revenue visibility considering power purchase agreements (PPAs) with Uttar Gujarat Vij Company Limited (UGVCL; CARE AA+; Stable / CARE A1+) for a tenor of 25 years for the entire capacity being generated by the project.

However, rating strengths are partially offset by moderate financial risk profile, working capital intensive of operations, profit margins susceptible to solar module price volatility, absence of price escalation clause in contracts and ZEL's presence in fragmented and competitive industry with limited bargaining power. Ratings also factor risk related to timely receipt of government grant and achievement of envisaged plant load factor (PLF) levels for the project being developed by ZEL as an IPP.

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

#### Positive factors

- Growth in its total operating income (TOI) above ₹500 crore with scaling-up of existing solar EPC operations and profitability above 10% on a sustained basis.
- Improvement in overall gearing below unity and TD/GCA below 5x on a sustained basis.

#### Negative factors

- Decline in TOI below ₹175 crore and profitability below present level.
- Delay in receipt of government grant for the project being developed as an IPP under PM-KUSUM Scheme.
- Non-achievement of envisaged PLF levels or delay in receipt of funds by over 30 days from the counterparty, i.e. UGVCL in the projected period.
- Higher-than-envisaged avilment of debt, leading to moderation in overall gearing.

**Analytical approach:** Standalone

#### Outlook: Stable

The Stable outlook reflects CARE Ratings' expectation that ZEL shall continue to benefit from extensive experience of its promoters, healthy order book and long-term PPA in place with strong counterparty, UGVCL for the project being developed by ZEL as an IPP.

### Detailed description of key rating drivers:

#### Key strengths

##### Growing scale of operations with healthy revenue visibility in the medium term

ZEL's TOI grew at a compound annual growth rate (CAGR) of ~34% in the last five years ended FY24. On a y-o-y basis, ZEL's TOI grew by 60% to ₹220 crore in FY24 (FY23: ₹137.66 crore) backed by healthy orderbook execution. The growth momentum is expected to continue in the near term backed by its healthy orderbook of ₹394 crore as on March 21, 2025, translating into revenue visibility of 1.79x of FY24 TOI to be executed within the next 6-12 months.

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

In 9MFY25 (Provisional), ZEL had surpassed its FY24 TOI, reporting TOI of ₹236.44 crore. Considering that execution of projects was skewed in last quarter of the financial year, CARE Ratings expects ZEL to achieve TOI of ~₹350 crore in FY25 against earlier estimate of ~₹300 crore.

**Improvement in profitability**

In FY24, ZEL's PBILDT margin improved by 321 bps y-o-y to 8.66% in FY24 (FY23: 5.45%) with stabilisation of solar module prices and execution of better margin projects. Consequently, the company's profit after tax (PAT) margins improved to 4.98% in FY24 (FY23: 2.32%).

In 9MFY25, ZEL reported PBILDT margin of 8.59% (9MFY24: 9.53%), and the same is anticipated to remain in line with FY24 levels.

**Experienced promoters with demonstrated track record of operations in solar EPC segment**

Promoted and managed by Kunj Shah, ZEL has an established track record of over three decades in design, supply, installation, testing, commissioning and operational and maintenance of solar power assets on EPC basis. Kunj Shah looks after the overall business and is responsible for strategy and planning, finance, investments and operations. He is ably supported by experienced professionals to look after the company's day-to-day operations.

**Low implementation risk associated with the project awarded to ZEL under PM-KUSUM scheme**

ZEL has been awarded a project for development of 37.52 MW (DC capacity; AC capacity: 27.26 MW) across 12 sites in Gujarat under KUSUM-Component C scheme through RESCO model. The total estimated cost of the project is ~₹143 crore, envisaged to be funded by term loan of ₹100.45 crore, fresh equity of ₹30 crore and balance through internal accruals.

As on March 21, 2025, ZEL has incurred ₹129.67 crore, which was funded through raising fresh equity through qualified institutional placement (QIP) of ₹30.00 crore, term loan of ₹87.52 crore and internal accruals of ₹12.15 crore.

Of the 12 sites, the company has commissioned five sites with a total AC capacity of 13.4 MW, which are now generating revenue. The remaining sites faced delays due to pending land approvals. However, the authority has granted an extension till June 2025, with levy of penalty of ₹0.05 crore/ MW. Of these, two sites are expected to be completed by April 2025, while the remaining five are on track for completion by the end of May 2025.

**Key weaknesses****Moderate financial Risk profile**

ZEL's capital structure is moderate marked by overall gearing and total outside liabilities to tangible net worth (TOL/TNW) of 0.86x (PY: 1.27x) and 1.43x (PY:1.63x) respectively as on March 31, 2024. Improvement in overall gearing is attributable to healthy accretion of profits to reserves and reduction in utilisation of working capital limits as on balance sheet date. With growth in scale of operations and improvement in profitability, debt coverage indicators marked by PBILDT interest coverage and total debt to gross cash accruals (TD/GCA) also improved to 4.32x (FY23: 2.36x) and 3.48x (FY23: 11.76x), respectively in FY24. In 9MFY25, PBILDT interest coverage has slightly moderated to 4.27x, primarily due to increase in interest cost.

However, CARE Ratings expects the company's financial risk profile to moderate as on FY25-end, owing to availment of enhancement in working capital limits and term debt for execution of the project awarded under PM-KUSUM scheme.

**Working capital intensive nature of operations**

Gross current asset days and debtor days remained elongated at 177 days (FY23:235 days) and 106 days (FY23: 104 days) respectively, in FY24 contributing to high working capital requirement. Skewed execution and billing at quarter-end led to high receivables as on the balance sheet date. Working capital intensive operations are funded by creditors and working capital bank borrowing. Effective management of working capital to ensure timely project execution is critical from the rating perspective.

**Scalability risk associated with the project executed by the company as an IPP**

ZEL is currently developing solar power assets at 12 sites in Gujarat as an IPP. Though the execution of solar power plants is at advanced stage of completion, generation of power at envisaged PLF from all sites shall remain a key monitorable. Since tariff rate is fixed for the entire tenor of 25 years, lower generation of power due to adverse weather conditions and/or equipment quality may impact the company's cash flows and debt servicing ability.

The company is expected to receive government grant equivalent to ₹1.05 crore/ MW of installed AC capacity for the project amounting to ₹28.62 crore. Timely receipt of government grant without exhibiting pressure on the company's EPC operations for debt servicing of the project shall remain crucial from credit perspective.

**Intense competition and profitability susceptible to solar module price volatility**

ZEL is a mid-sized solar EPC player and faces stiff competition from several established players in the industry. EPC contracts are fixed price contracts to be executed in 6-12 months, hence there is no price escalation clause in the contracts awarded to the company. In absence of price escalation clause, ZEL's profitability of ZEL remains exposed to volatility in prices of solar cells and modules, though short tenure nature of contracts and back-to-back procurement of solar modules mitigates this risk to an extent.

**Liquidity:** Adequate

ZEL's liquidity is adequate marked by sufficient GCA in the range of ₹19-34 crore against its scheduled term debt obligation of ~₹2.00 - ₹6.50 crore in FY25-FY27. Average utilisation of fund-based working capital limits (FBWC) was 88% for 12 months ended February 2025. Enhanced fund-based working capital limit in form of electronic dealer finance scheme (EDFS) limit of ₹12.62 crore shall aid the company's liquidity cushion. ZEL reported cash flow from operations of ₹12.28 crore in FY24 (PY: -₹23 crore). ZEL has cash and bank balance of ₹5.20 crore as on September 30, 2024.

**Environment, social, and governance (ESG) risks:** Not applicable

**Applicable criteria**

[Definition of Default](#)

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

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**About the company and industry**

**Industry classification**

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Construction	Construction	Civil construction

Incorporated in May 1992, Ahmedabad-based, ZEL (erstwhile Zodiac Genset Private Limited) has a track record of over a decade in providing end-to-end services including design, supply, installation, testing, commissioning and operational and maintenance of solar power assets on engineering, procurement and construction (EPC) basis. ZEL was listed on NSE SME platform in 2017 and subsequently on the main board of NSE and BSE in 2021.

ZEL executes residential, commercial and industrial rooftop and ground mounted solar power projects for non-corporate and corporate clients across 15+ states in India. Till date, ZEL has installed 130+ MW of solar projects for over 12,000 clients.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	December 31, 2024 (UA)
Total operating income	137.66	220.15	236.44
PBILDT	7.50	19.06	20.30
PAT	3.19	10.97	10.53
Overall gearing (times)	1.27	0.86	NA
Interest coverage (times)	2.36	4.32	4.27

A: Audited UA: Unaudited NA: Not available; Note: these are latest available financial results

**Status of non-cooperation with previous CRA:** None

**Any other information:** Not applicable

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

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

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

**Lender details:** Annexure-5

**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 and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	2.00	CARE BBB-; Stable
Fund-based - LT-Electronic Dealer Financing Scheme		-	-	-	12.62	CARE BBB-; Stable
Fund-based - LT-Term Loan		-	-	30-04-2043	101.81	CARE BBB-; Stable
Fund-based - LT-Working Capital Limits		-	-	-	7.52	CARE BBB-; Stable
Fund-based - LT/ ST-Cash Credit		-	-	-	35.55	CARE BBB-; Stable / CARE A3
Fund-based - ST-Working Capital Limits		-	-	-	1.50	CARE A3
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	28.00	CARE BBB-; Stable / CARE A3

**Annexure-2: Rating history for 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 2024-2025	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
1	Fund-based - LT-Cash Credit	LT	2.00	CARE BBB-; Stable	1)CARE BBB-; Stable (03-Dec-24)	-	-	-
2	Fund-based - LT-Term Loan	LT	101.81	CARE BBB-; Stable	1)CARE BBB-; Stable (03-Dec-24)	-	-	-
3	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	28.00	CARE BBB-; Stable / CARE A3	1)CARE BBB-; Stable / CARE A3 (03-Dec-24)	-	-	-
4	Fund-based - LT-Working Capital Limits	LT	7.52	CARE BBB-; Stable	1)CARE BBB-; Stable (03-Dec-24)	-	-	-
5	Fund-based - LT/ ST-Cash Credit	LT/ST	35.55	CARE BBB-; Stable / CARE A3				
6	Fund-based - LT-Electronic Dealer Financing Scheme	LT	12.62	CARE BBB-; Stable				
7	Fund-based - ST-Working Capital Limits	ST	1.50	CARE A3				

LT: Long term; ST: Short term; LT/ST: Long term/Short term

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

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Electronic Dealer Financing Scheme	Simple
3	Fund-based - LT-Term Loan	Simple
4	Fund-based - LT-Working Capital Limits	Simple
5	Fund-based - LT/ ST-Cash Credit	Simple
6	Fund-based - ST-Working Capital Limits	Simple
7	Non-fund-based - LT/ ST-Bank Guarantee	Simple

### **Annexure-5: Lender details**

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

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

### Contact us

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