CareEdge RATINGS

Zodiac Energy Limited

August 07, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	123.95	CARE BBB; Stable	Upgraded from CARE BBB-; Stable
Long-term / Short-term bank facilities	63.55	CARE BBB; Stable / CARE A3+	Upgraded from CARE BBB-; Stable / CARE A3
Short-term bank facilities	1.50	CARE A3+	Upgraded from CARE A3

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Revision in ratings assigned to the bank facilities of Zodiac Energy Limited (ZEL) factor in improved scale of operations while maintaining moderate profitability leading to significant growth in gross cash accruals (GCA). The growth momentum is envisaged to continue considering healthy order book and a favourable industry outlook. Ratings also factor ZEL's entry in independent power producer (IPP) segment and successful commissioning of 26.56 MW capacity solar power assets, awarded under PM-KUSUM scheme. The project benefits from a long-term revenue visibility considering power purchase agreement (PPA) with a strong counterparty – Uttar Gujarat Vij Company Limited (UGVCL; rated CARE AA+; Stable/ CARE A1+) for a tenure of 25 years for the entire capacity being generated by the project.

Ratings continue to derive strength from experienced promoters with established track record of solar power project execution on engineering, procurement and engineering (EPC) basis and ZEL's adequate liquidity.
The above strengths are partially offset by moderate financial risk profile and working capital intensive operations. Ratings further remain constrained due to 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 balance government grant and achievement of minimum contracted plant load factor (PLF) levels for the IPP project.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Growth in its total operating income (TOI) above ₹600 crore while maintaining the present profitability level.
- Improvement in capital structure marked by overall gearing below 1.50x.

Negative factors

- Moderation in capital structure marked by overall gearing below 1.50x above 2x on a sustained basis.
- Deteriorating credit risk profile of the off taker with delay in receiving payments.
- GCA days above 180 days on a sustained basis.

Analytical approach: Standalone

Outlook: Stable

The Stable outlook reflects CARE Ratings Limited (CareEdge Ratings) expectation that ZEL shall continue to benefit from extensive experience of its promoters, healthy order book and long-term PPA with strong counterparty for the IPP project.

Detailed description of key rating drivers:

Key strengths

Successful commissioning of solar project and revenue stability backed by long-term off-take agreement with UGVCL

ZEL successfully completed development of 26.56 MW (AC capacity) solar power assets across 12 sites in Gujarat, awarded to it under PM KUSUM Component C scheme through Renewable Energy Service Company (RESCO) model. The project was completed within cost parameters. There was delay in commissioning due to pending land approvals and authority has granted an extension till June 2025, with levy of penalty of ~₹0.05 crore/MW. Presently, 11 projects are commissioned and generating revenue whereas one of the sites shall be commissioned shortly.

ZEL had also received central financial assistance (CFA) of ₹13.82 crore (for five sites) in Q1FY26 and expects to receive balance ~₹14 crore by the end of FY26.

[1]Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

The PPA with UGVCL for supplying 26.56 MW (AC capacity) is at a fixed tariff of ₹3.00 per kilowatt hour (kWh) for 25 years. This long term off-take arrangement at a fixed tariff provides ZEL long-term revenue stability. The company has been receiving timely payments from UGVCL and given the strong credit profile of off-taker, the counterparty credit risk is low.

Robust revenue growth with improved profitability and healthy order book ensuring future visibility

ZEL reported a strong performance, clocking ~72% compound annual growth rate (CAGR) in TOI over the last three years ended FY25. TOI exhibited a strong ~85% year-over-year (y-o-y) growth reflecting TOI growth from ₹220.15 crore in FY24 to ₹407.78 crore in FY25 backed by healthy order book execution. ZEL's PBILDT margin is improving consistently in the last two years from ~6% in FY23 to 8.66% in FY24 and 9.08% in FY25 led by stabilisation of solar module prices and change in sales mix towards higher margin ground mounted solar. Profitability is further expected to improve with commencement of high margin IPP business. The healthy revenue growth and improved profitability resulted in significant improvement in GCA, growing from ₹11.74 crore in FY24 to ₹26.31 crore in FY25. Other return indicators continue to remain healthy marked by return on capital employed (ROCE) and return on net worth (RONW) of 19.99% and 27.66%, respectively, in FY25 (22.64% and 26.37%, respectively, in FY24). The growth momentum is expected to continue in medium term backed by strong order inflows and healthy orderbook position of ₹394 crore as on May 31, 2025, to be executed within next 6-12 months.

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

Kunj Shah, MD, has an established track record of over three decades in designing, suppling, installing, testing, commissioning and operational and maintenance of power assets on EPC basis. Kunj Shah manages the overall business and is responsible for strategy and planning, finance, investments and operations. He is ably supported by experienced professionals. The proven track record enables company to bid for complex (canal top and floating solar among others) and overseas project. ZEL has successfully commissioned over 300 MW of solar power projects, serving more than 15,000 clients across 15+ states in India, and has also expanded its footprint to Africa in FY25.

Key weaknesses

Moderate financial risk profile

ZEL's financial risk profile continue to remain moderate, with overall gearing and total outside liability to tangible net-worth (TOL/TNW) of 1.81x and 2.10x, respectively, as on March 31, 2025 (0.86x and 1.43x, respectively, in previous year). The company's total debt largely comprises term loans tied to its IPP solar asset and working capital borrowings under its EPC operations. On an adjusted basis, excluding IPP-related debt, ZEL's overall gearing stood below unity as on March 31, 2025.
The IPP asset has adequate GCA against project specific debt repayment obligations. ZEL has received ~₹13.82 crore as a CFA (out of total ₹28.62 crore) in Q1FY26, which had been utilised for debt repayment.

ZEL raised ~₹30 crore through qualified institutional placement (QIP) in FY25 and healthy profit, augmented its tangible net worth base to ₹96.53 crore as on March 31, 2025 from ₹47.54 crore as on March 31, 2024.

Debt coverage indicators remained stable year-over-year (y-o-y), as reflected by PBILDT interest coverage ratio of 4.34x and TD/GCA of 6.64x in FY25 (FY24: 4.32x and 3.48x, respectively).

Given the absence of major debt funded capex plan in the near term and improving profitability, CareEdge Ratings expects a gradual improvement in the company's financial risk profile.

Working capital intensive operations

Gross current asset days and debtor days continue to remain elongated at 159 days (FY24: 177 days) and 61 days (FY24: 106 days) in FY25, contributing to high working capital requirement. Considering this, effective management of working capital to ensure timely project execution is critical from credit perspective. 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. Timely receipt of government grant and payments from counterparty (UGVCL) without exhibiting pressure on the company's EPC operations shall also remain crucial from credit perspective.

Vulnerability of cash flows to variation in weather conditions

ZEL has 26.56 MW solar power assets across 12 sites in Gujarat. Lower generation of power due to adverse weather conditions and/or equipment quality may impact the company's cash flows and debt servicing ability, given that tariff rate is fixed for entire tenor of 25 years.

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 industry. EPC contracts are fixed price contracts to be executed in 6-18 months and has no price escalation clause in the contracts awarded to the company. In absence of price escalation clause, ZEL's profitability remains exposes to volatility in prices of solar cells and modules, though short tenure 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 growing and adequate GCA as against its scheduled term debt obligation of ~₹3.10 in FY26. Average utilisation of fund-based working capital limits remained ~85-90% for 12 months ended June 2025 (with ad-hoc limits of ~₹2 crore availed for 30 days thrice during the period). Enhanced fund-based working capital limit in the form of dropline overdraft limit of ₹35.00 crore shall aid the company's liquidity cushion. ZEL reported cash flow from operations of negative ₹48.62 crore in FY25 (PY: ₹12.28 crore) due to increase in advances to suppliers (one time event) and inventory levels in growing phase of operations. However, operating cycle has improved from 117 days in FY24 to 81 days in FY25. ZEL has cash and bank balance of ₹4.88 crore and margin money (including FDR for DSRA) of ₹13.20 crore as on March 31, 2025. Liquidity ratio of the company remains moderate marked by current ratio of 1.07x as on March 31, 2025.

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

Applicable criteria

[Definition of Default](#)
[Liquidity Analysis of Non-financial sector entities](#)
[Rating Outlook and Rating Watch](#)
[Financial Ratios – Non financial Sector](#)
[Construction Sector](#)
[Infrastructure Sector Ratings](#)
[Solar power project](#)
[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Construction	Construction	Civil construction

Ahmedabad based, Zodiac Energy Limited (ZEL; L51909GJ1992PLC017694) was promoted by Kunj Shah in 1992 as Zodiac Genset Private Limited. Starting with diesel-based power generation solutions to a comprehensive clean energy solutions company. ZEL was rebranded as 'Zodiac Energy Private limited' in 2007 and later listed on stock exchange in 2017.
ZEL operates as a turnkey solar energy solution provider, offering end to end services on Engineering, Procurement and Construction (EPC) basis including design, supply, installation, testing, commissioning, operation and maintenance (O&M). ZEL executes residential, commercial and utility scale solar power projects. ZEL also undertakes trading of solar products majorly solar panels and modules among others.
In 2024, ZEL ventured in solar IPP business where ZEL entered power purchase agreement (PPA) with Uttar Gujarat Vij company Limited to supply 26.56 MW solar energy over 25 years.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)
Total operating income	220.15	407.78
PBILDT	19.06	37.04
PAT	10.97	19.97
Overall gearing (times)	0.86	1.81
Interest coverage (times)	4.32	4.34

A: Audited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

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	-	-	-	30-06-2043	97.24	CARE BBB; Stable
Fund-based - LT-Working Capital Limits	-	-	-	-	12.09	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 2025-2026	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
1	Fund-based - LT-Cash Credit	LT	2.00	CARE BBB; Stable	1)CARE BBB-; Stable (03-Apr-25)	1)CARE BBB-; Stable (03-Dec-24)	-	-
2	Fund-based - LT-Term Loan	LT	97.24	CARE BBB; Stable	1)CARE BBB-; Stable (03-Apr-25)	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-Apr-25)	1)CARE BBB-; Stable / CARE A3 (03-Dec-24)	-	-
4	Fund-based - LT-Working Capital Limits	LT	12.09	CARE BBB; Stable	1)CARE BBB-; Stable (03-Apr-25)	1)CARE BBB-; Stable (03-Dec-24)	-	-
5	Fund-based - LT/ ST-Cash Credit	LT/ST	35.55	CARE BBB; Stable / CARE A3+	1)CARE BBB-; Stable / CARE A3 (03-Apr-25)	-	-	-
6	Fund-based - LT-Electronic Dealer Financing Scheme	LT	12.62	CARE BBB; Stable	1)CARE BBB-; Stable (03-Apr-25)	-	-	-
7	Fund-based - ST-Working Capital Limits	ST	1.50	CARE A3+	1)CARE A3 (03-Apr-25)	-	-	-

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: CareEdge 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.

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About us:
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