



Press Release

Zodiac Energy Limited [ZEL]

August 24, 2020

Rating

Sr. No.	Instrument/ Facility	Amount (INR Crore)	Rating Assigned	Rating Action
1	<u>Long Term Fund based facilities</u> Cash Credit	7.50	IVR BBB-/ Stable Outlook [IVR Triple B Minus with Stable Outlook]	Assigned
2	<u>Short Term Non-Fund based facilities</u> Bank Guarantee	8.50	IVR A3 [IVR A Three]	Assigned
	Total	16.00		

Details of facilities are in Annexure 1

Rating Rationale

The rating assigned to the bank facilities of Zodiac Energy Limited (ZEL) derive strength from experienced promoters, consistent increase in total operating income and comfortable gearing ratio. The rating is however constrained by new entrants in the market and intense competition by existing players, technology becoming obsolete due to innovation in technology and change in policy and regulations.

Key Rating Sensitivities:

➤ **Upward Rating Factor:**

Substantial & sustained improvement in the revenue & EBITDA margin while improving the debt protection metrics

➤ **Downward Rating Factor:**

Any further decline in revenue and/or EBITDA margin leading to decline in debt protection metrics

Change in Government policies affecting revenues adversely



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Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced Promoters

Zodiac Energy Limited (ZEL), incorporated in 1992, was promoted by Mr. Kunjbihari Jugalkishor Shah, the founder Chairman and Managing Director of Zodiac Energy Limited. He has more than 29 years of experience in field of Energy and specialization in EPC of Solar PV Power plants.

Mr. Pranav Mehta, Chairman Emeritus is a veteran in the field of Solar Energy & fondly called Solar Man of India. He is a technocrat with over 35 years of experience in conceiving, planning and implementing ultra large size industrial projects.

Consistent increase in total operating income

Over a period of last 3 years, the Company's total income from operations has been continuously increasing. It increased to INR 68.18 Crore in FY20 from INR 63.28 Crore in FY19, showing a growth of 7.75%. (recorded growth of ~65% in FY19 from INR 38.39 Crore in FY18 & growth of ~130% in FY18 from INR 16.70 Crore in FY17).

Comfortable Gearing ratio

The overall gearing ratio of the Company was very comfortable & stood at 0.25x as at FY20 & 0.20x as at FY19. The Total outside liabilities to Tangible Net Worth of the Company stood comfortable at 0.84x as at FY20 & 0.39x as at FY19. The interest coverage ratio stood comfortable at 6.51x in FY20 & 17.13x in FY19.

Key Rating Weaknesses

New entrants in the market and intense competition by existing players

There are a large number of unorganized players in the industry resulting in intense competition as well as new entrants impose a threat to the existing players.



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Technology may become obsolete due to innovation in technology

Due to constant innovation in technology in renewable energy, there is always a risk of the current technology becoming obsolete & of no or very less use.

Change in Policy and Regulations

The changing Government policies, withdrawal of certain subsidies may lead to an adverse impact on the revenue generation by the company.

Analytical Approach & Applicable Criteria:

- Standalone
- Rating methodology for trading companies
- Financial ratios and Interpretation (Non-Financial Sector)

Liquidity: Adequate

The Company has been earning a comfortable level of GCA for the last few years and the same is expected to increase further with an increase in scale of operations. The company maintains moderate cash and bank balance to meet its liquidity requirements. The utilization of working capital limits remained moderate at 65.23% during the 12 months ended June 30, 2020. The Current & Quick ratios are comfortable at 3.53x & 2.67x as at FY19 and 2.13x & 1.55x as at FY20 respectively.



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About the company

The Company was originally incorporated as “Zodiac Genset Private Limited” at Ahmedabad on May 22, 1992. Subsequently, the name of the company was changed to “Zodiac Energy Private Limited” on April 30, 2007. Consequently upon the conversion of the Company into public limited company, the name of the Company was changed to “Zodiac Energy Limited.” The Company then came up with its maiden IPO & got listed on NSE in 2017.

They are an Energy Solution Provider company having experience of more than two decades in majority of verticals of power generations spectrum. Their spectrum of services are including Design, supply, installation, Testing and Commissioning (EPC) and Operation and Maintenance (O&M), in short they provide turnkey solutions from concept to commissioning of power plants.

The Company is an ISO 9001:2015, ISO 14000 2015 certified solar energy solution provider and has installed more than 56000 KW of rooftop & ground mounted solar power projects across India till the end of FY 2019-20, having more than 5000 satisfied clients for solar power plants.

Financials

For the year ended / As on	INR in Crore	
	31-Mar-19 (Audited)	31-Mar-20 (Audited)
Total Operating Income	63.28	68.18
EBITDA	4.77	4.81
PAT	3.10	3.00
Total Debt	4.11	5.80
Tangible Net Worth	20.40	23.39
EBITDA Margin (%)	7.54	7.05
PAT Margin (%)	4.89	4.38
Overall Gearing ratio (x)	0.20	0.25

** Classification as per Infomerics' standards*

Details of Non Co-operation with any other CRA: N.A.

Any other information: N.A.



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Rating History for last three years:

Name of Instrument/ Facility	Current Rating (Year: 2020-21)			Rating History for the past 3 years		
	Type	Amount (INR Crore)	Rating	Rating assigned in 2019-20	Rating assigned in 2018-19	Rating assigned in 2017-18
Long Term Fund based facility	Cash Credit	7.50	IVR BBB-/ Stable Outlook	--	--	--
Short Term Non-Fund based facility	Bank Guarantee	8.50	IVR A3	--	--	--
	Total	16.00				

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.



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Annexure 1: Details of Facilities

Sr. No.	Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
1	<u>Long Term Fund based facilities</u> Cash Credit	--	--	--	7.50	IVR BBB-/ Stable Outlook
2	<u>Long Term Non-Fund based facilities</u> Bank Guarantee	--	--	--	8.50	IVR A3
	Total				16.00	

Annexure II: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Zodiac-Energy-lenders-24aug20.pdf>