Rating Rationale

March 25, 2025 | Mumbai

Prozeal Green Energy Limited

Ratings reaffirmed at 'Crisil A-/Positive/Crisil A2+'; Rated amount enhanced for Bank Debt

Rating Action

Total Bank Loan Facilities Rated	**Rs.500 Crore (Enhanced from Rs.100 Crore)**
Long Term Rating	**Crisil A-/Positive (Reaffirmed)**
Short Term Rating	**Crisil A2+ (Reaffirmed)**

Note: None of the Directors on Crisil Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.
1 crore = 10 million
Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

Crisil Ratings has reaffirmed its 'Crisil A-/Positive/Crisil A2+' ratings on the bank facilities of Prozeal Green Energy Limited (PGEL).

Crisil Ratings had assigned its 'Crisil A-/Positive/Crisil A2+' ratings to the bank facilities of PGEL through rationale dated January 8, 2025.

The rating reaffirmation factors in healthy business risk profile as reflected in the expected revenue growth of more than 25% on-year, with ~Rs 1,200 crore in fiscal 2025, and growth of more than 50% on-year, with ~Rs 1,900 crore in fiscal 2026. The operating margin is likely to increase to over 15% in fiscal 2025 and is expected to be 14-15% from fiscal 2026 onwards. The order book continues to be healthy, with unexecuted orders of Rs 3,078 crore as of February 2025, to be executed in the next 18 months. Furthermore, the order book consists of diversification among C&I clients, government EPC (engineering, procurement and construction) projects and independent power producers (IPP). The financial risk profile remains robust, aided by low dependence on debt as reflected in expected networth of over Rs 332 crore as of March 2025, and leverage less than 1 time. Liquidity will remain healthy, with high cash accrual in absence of no debt obligations and with low utilisation of bank limits. The improvement in the business risk profile will further drive the rating as the financial risk profile continues to be healthy.

The ratings continue to reflect the established track record of the promoters, the company's diversified customer base and strong order book, healthy profitability and comfortable financial risk profile. These strengths are partially offset by exposure to intense competition and volatility in raw material prices and the working capital-intensive operations.

Analytical Approach

Crisil Ratings has evaluated the standalone business and financial risk profiles of PGEL.

Key Rating Drivers & Detailed Description

Strengths:

- **Established track record of the promoters and healthy order book:** The promoters' experience of over a decade in undertaking solar EPC projects, and the three-decade-long experience of the management (through other organisations) will help PGEL focus on sustainable growth in the renewable energy sector. PGEL has commissioned solar power EPC projects of over 1,500 MW across more than 17 states in India. The proven track record enables the company to bid for large projects (more than 100 megawatt peak [MWp]) and positions it among the top industry players. Longstanding presence of the promoters, their strong understanding of market dynamics and established relationships with suppliers and customers will continue to benefit the company.

  Unexecuted orders worth Rs 3,078 crore as of February 2025, to be executed over the next 12-18 months, offer revenue visibility for the medium term. This includes EPC orders from government entities and reputed corporates (nearly 70%) across multiple states. Furthermore, PGEL has expanded its geographical reach by setting up its first solar project in Nepal.

PGEL is likely to register revenue growth of over 25% and 50% in fiscals 2025 and 2026, respectively, and timely execution of projects under the guidance of the current management will further strengthen the business risk profile.

- **Healthy operating profitability:** The company offers end-to-end services for solar EPC projects, right from land identification to project commissioning. The company's service portfolio includes understanding client requirements, providing capital solutions and facilitating power purchase agreements (PPAs) with power distribution companies, beyond standard EPC services. This led to a healthy operating margin of 12.8% in fiscal 2024 which is likely to improve to ~15% in fiscal 2025. The margin will be shielded against any sharp volatility in raw material prices as the company hedges its inventory requirement at the time of order booking. Operating efficiency should improve by 100-150 basis points on sustained basis over the medium term, led by better economies of scale and inclusion of large-sized orders.

- **Comfortable financial risk profile:** The capital structure is aided by low reliance on external debt, as reflected in low gearing of 0.40 time and moderate total outside liabilities to adjusted networth (TOLANW) ratio of 1.20 times, as on March 31, 2024, which are projected to be 0.21 time and 0.76 time, respectively, as on March 31, 2025. The debt protection metrics are also comfortable, aided by leverage and healthy profitability. Interest coverage and net cash accrual to total debt ratios stood at 20.97 times and 1.22 times, respectively, in fiscal 2024, which are expected to be 23.51 times and 2.03 times, respectively, in fiscal 2025.

  PGEL has provided a joint corporate guarantee to the working capital facilities of one of its subsidiaries— Prozeal Infra Renewable LLP (PRIL), wherein PGEL and Zaveri and Company Pvt Ltd are equal partners. The TOLANW ratio remains comfortable at 1.46 times after factoring in the amount of corporate guarantee given to PRIL.

Weaknesses:

- **Exposure to intense competition and volatility in raw material prices:** Intense competition limits the pricing flexibility and bargaining power of the players in the solar EPC industry. This restrains any pass-through mechanism, leading to volatility in the operating margin. Furthermore, as the company partly operates in a tender-based industry, revenue and operating profitability depend on successful bidding. Sharp volatility in raw material prices, impacting on the overall procurement policy, could also affect the operating margin adversely. Though the margin is likely to increase to over 15% in fiscal 2025, from 13% in fiscal 2024, its sustenance is monitorable.

- **Working capital-intensive operations:** Gross current assets (GCAs) were high at 123 days as on March 31, 2024. The company needs to extend the long credit period to its customers, in line with industry standards. However, as its customers are mainly government entities and reputable corporates, the counterparty credit risk remains low. The company also holds moderate work-in-process and inventory of solar modules. Further stretch in the GCAs, impacting the overall cycle and leverage ratio to fund working capital, will be monitorable.

Liquidity: Strong

Bank limit utilisation was low at 30.26% on average for the 12 months through December 2024. Annual cash accrual, expected to be over Rs 150 crore, should suffice to aid liquidity in absence of any major debt obligation over the medium term. The current ratio was healthy at 1.54 times as on March 31, 2024. Low gearing and moderate networth support the financial flexibility and provide the financial cushion available in case of any adverse condition or downturn in the business.

Outlook: Positive

The business risk profile of PGEL is expected to improve, with higher execution leading to growth in operating revenue and supported by strong outstanding order book.

Rating sensitivity factors

Upward factors

- Sustained revenue growth of over 30% in the upcoming fiscal and operating profit of more than Rs 250 crore in the medium term
- Improvement in the working capital cycle

Downward factors

- Decline in revenue by 25% and operating margin below 9%, leading to low net cash accrual
- Substantial increase in the working capital requirement or any large, debt-funded capital expenditure or investments weakening the financial risk profile and liquidity

About the Company

Ahmedabad (Gujarat)-based PGEL was formed as a partnership firm in 2011 and was reconstituted as a private limited company named Prozeal Green Energy Pvt Ltd in 2013. Subsequently, the company was reconstituted as a public limited company and renamed as PGEL.

It is an engineering company focused on green energy and decarbonisation. PGEL undertakes project design and engineering, and manages projects with an emphasis on serving the commercial and industrial sectors. It undertakes solar power EPC projects, which include land identification, acquiring land permits, due diligence, finalisation of vendors, procurement of solar modules, equipment testing, EPC of solar power plants and supervision of projects. The company's project portfolio demonstrates geographical diversity, extending from urban centres to remote locations across India.

The company started an IPP business in 2024 under its subsidiary (Prozeal Green Power Pvt Ltd), with PPA of over 200 MWp for diversified clients. The company also ventured into green hydrogen generation business, in 2024, under its subsidiary— Prozeal Green Hydrogen Pvt Ltd.

The operations are managed by the promoters— Mr Shobit Baijnath Rai and Mr Manan Hitendrakumar Thakkar.

Key Financial Indicators

As on/for the period ended March 31		2024	2023
Operating income	Rs crore	949.26	341.00
Reported profit after tax (PAT)	Rs crore	91.73	21.25
PAT margin	%	9.73	6.31
Adjusted debt/adjusted networth	Times	0.40	0.87
Interest coverage	Times	21.21	11.83

Any other information: Not Applicable

Note on complexity levels of the rated instrument:
Crisil Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

Crisil Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

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Annexure - Details of Instrument(s)

ISIN	Name Of Instrument	Date Of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs.Crore)	Complexity Levels	Rating Outstanding with Outlook
NA	Bank Guarantee	NA	NA	NA	252.40	NA	Crisil A2+
NA	Cash Credit	NA	NA	NA	242.00	NA	Crisil A-/Positive
NA	Proposed Non Fund based limits	NA	NA	NA	5.60	NA	Crisil A2+

Annexure - Rating History for last 3 Years

	Current			2025 (History)		2024		2023		2022		Start of 2022
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	242.0	Crisil A-/Positive	08-01-25	Crisil A-/Positive		--		--		--	--
Non-Fund Based Facilities	ST	258.0	Crisil A2+	08-01-25	Crisil A2+		--		--		--	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Bank Guarantee	60	HDFC Bank Limited	Crisil A2+
Bank Guarantee	45	HDFC Bank Limited	Crisil A2+
Bank Guarantee	37	IndusInd Bank Limited	Crisil A2+
Bank Guarantee	50	YES Bank Limited	Crisil A2+
Bank Guarantee	21.4	ICICI Bank Limited	Crisil A2+
Bank Guarantee	15	Kotak Mahindra Bank Limited	Crisil A2+

Bank Guarantee	24	Standard Chartered Bank	Crisil A2+
Cash Credit	40	HDFC Bank Limited	Crisil A-/Positive
Cash Credit	63	IndusInd Bank Limited	Crisil A-/Positive
Cash Credit	50	YES Bank Limited	Crisil A-/Positive
Cash Credit	38	ICICI Bank Limited	Crisil A-/Positive
Cash Credit	35	Kotak Mahindra Bank Limited	Crisil A-/Positive
Cash Credit	16	Standard Chartered Bank	Crisil A-/Positive
Proposed Non Fund based limits	5.6	Not Applicable	Crisil A2+

Criteria Details

Links to related criteria
Basics of Ratings (including default recognition, assessing information adequacy)
Criteria for manufacturing, trading and corporate services sector (including approach for financial ratios)

Media Relations	Analytical Contacts	Customer Service Helpdesk
Ramkumar Uppara Media Relations **Crisil Limited** M: +91 98201 77907 B: +91 22 6137 3000 ramkumar.uppara@crisil.com **Sanjay Lawrence** Media Relations **Crisil Limited** M: +91 89833 21061 B: +91 22 6137 3000 **sanjay.lawrence@crisil.com**	Nitin Kansal Director **Crisil Ratings Limited** B:+91 124 672 2000 nitin.kansal@crisil.com Nilesh Agarwal Associate Director **Crisil Ratings Limited** B:+91 79 4024 4500 nilesh.agarwal1@crisil.com Deepak Agrawal Senior Rating Analyst **Crisil Ratings Limited** B:+91 79 4024 4500 Deepak.Agrawal@crisil.com	Timings: 10.00 am to 7.00 pm Toll free Number:1800 267 3850 For a copy of Rationales / Rating Reports: CRISILratingdesk@crisil.com For Analytical queries: ratingsinvestordesk@crisil.com

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