

August 2, 2010

**CARE ASSIGNS 'CARE BBB-' TO THE BANK FACILITIES OF PENNA ELECTRICITY LTD.**

**Ratings Assigned**

Facilities/Instruments	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Long-term Bank Facilities	99.64	'CARE BBB-' (Triple B Minus)	Assigned
<b>Total Facilities</b>	<b>99.64</b>		

**Rating Rationale**

The rating takes into account the experience of the promoters and the management in the power sector, PEL being part of Penna Group, the Fuel Supply Agreement with GAIL (India) Limited, the Power Purchase Agreement (PPA) with Tamil Nadu Electricity Board (TNEB) and the government support and the positive outlook for the power sector. The rating is however constrained by the pressure on profitability margins due to rising variable costs resulting from a higher-than-normative station-heat rate, losses incurred during FY09 and the subdued outlook on the availability of gas in the near term. The availability of the required quantity of natural gas, the improvement in plant efficiency and the continuance of off take and the timely receipt of dues from TNEB are the key rating sensitivities.

**Company Profile**

Penna Electricity Limited (PEL), formerly known as Arkay Energy Ltd. (Arkay) was incorporated in October 1998. PEL is held by entities belonging to the Penna Group of companies. The group is engaged in cement manufacturing, power generation, construction and real estate. PEL operates a 52.8 MW Combined Cycle Gas Turbine Power Plant at Valantharavai, Ramnad District of Tamil Nadu. PEL has a fuel supply agreement with GAIL and a PPA with the Tamil Nadu Electricity Board (TNEB).

During FY10 (provisional), PEL achieved a PAT of Rs. 4 cr (a net loss of Rs. 3 cr during FY09) on a total income of Rs. 90 cr (Rs. 87 cr during FY09).

**Analyst Contact**

Name: Rahul Patni

Tel # 040-40102030

Mobile # 9160004563

Email:Rahul.patni@careratings.com

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<sup>2</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications.

CARE is headquartered in Mumbai, with Offices all over India. The office addresses and contact numbers are given below:

**HEAD OFFICE: MUMBAI**

**Mr. D.R. Dogra**

Managing Director

Cell : +91-98204 16002

E-mail : dr.dogra@careratings.com

**Mr. Rajesh Mokashi**

Dy. Managing Director

Cell : +91-98204 16001

E-mail: rajesh.mokashi@careratings.com

**Mr. Ankur Sachdeva**

Head - Business Development

Cell : +91-9819698985

E-mail: ankur.sachdeva@careratings.com

4<sup>th</sup> Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway,  
Sion (East), **Mumbai 400 022** Tel.: (022) 67543456 Fax: (022) 67543457

**Website: www.careratings.com**

**OFFICES**

<p>Mr.Mehul Pandya Regional Manager 32 TITANIUM Praladnagar Corporate Road, Satellite, <b>Ahmedabad - 380 015.</b> Tel – 079 4026 5656 Mobile - 98242 56265 E-mail: mehul.pandya@careratings.com</p>	<p>Mr.Sundara Vathanan Regional Manager Unit No. 8, I floor, Commander's PlaceNo. 6, Raja Ram Mohan Roy Road, Richmond Circle, <b>Bangalore - 560 025.</b> Tel – 080 2211 7140 Mobile – 98803 60878 E-mail: sundara.vathanan@careratings.com</p>
<p>Mr. Pradeep Kumar Regional Manager Unit No. O-509/C, Spencer Plaza, 5th Floor, No. 769, Anna Salai, <b>Chennai 600 002</b> Tel: 044 2849 7812/2849 0811 Mobile – 98407 54521 E-mail : Pradeep.kumar@careratings.com</p>	<p>Mr. Ashwini Jani Regional Manager 401, Ashoka Scintilla 3-6-520, Himayat Nagar <b>Hyderabad - 500 029</b> Tel – 040 40102030 Mobile – 91766 47599 E-mail: ashwini.jani@careratings.com</p>
<p>Mr. Sukanta Nag Regional Manager 3<sup>rd</sup> Floor, Prasad Chambers (Shagun Mall Building) 10A, Shakespeare Sarani <b>Kolkata - 700 071.</b> Tel – 033 2283 1800/1803 Mobile – 98311 70075 E- mail: sukanta.nag@careratings.com</p>	<p>Ms.Swati Agrawal Regional Manager 710 Surya Kiran, 19 K.G. Road, <b>New Delhi - 110 001.</b> Tel – 011 2331 8701/2371 6199 Mobile – 98117 45677 E-mail : swati.agrawal@careratings.com</p>