Press Release
PEMMASANI SOLAR POWER PRIVATE LIMITED
March 19, 2025
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	44.00	ACUITE BBB+ | Stable | Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	44.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale
Acuité has reaffirmed its long-term rating of **'ACUITE BBB+' (read as ACUITE triple B plus)** on the Rs.44.00 Cr. bank facilities of Pemmasani Solar Power Private Limited (PSPPL). The outlook is **'Stable.'**

Rationale for reaffirmation
The rating reaffirmation reflects extensive experience of management in the renewable energy space, healthy financial risk profile and adequate liquidity position. PSPPL is currently undertaking capital expenditure to establish Solar PV Projects at four locations in Karnataka under Component C of the PM-KUSUM scheme. The rating also factors in the existence of long-term power purchase agreement (PPAs) with TSSPDCL (Telangana State Southern Power Distribution Company Limited) for the existing plant and with HESCOM (Hubli Electricity Supply Company Limited) for the upcoming plants. However, the rating is constrained on account of implementation risk associated with the ongoing capital expenditure, the dependence on climatic conditions for power generation, and the exposure to regulatory and counterparty risks. Going forward, the timely receipt of payments from TSSPDCL and HESCOM, along with the achievement of adequate PLF levels, will be a key monitorable.

About the Company
Pemmasani Solar Power Private Limited (PSPPL) was incorporated in the year 2014 by Mr. P. Satyanarayana Reddy, Mr. P. Panduranga Rao, Mrs. Sudha Rani, and Mr. C. Mallikarjuna Rao. The company has its registered office in Hyderabad, Telangana. The company is engaged in generating solar power and has set up a solar power plant with 10 MW capacity in Mahabubnagar, Telangana. PSPPL is undertaking capital expenditure to develop Solar PV projects at four locations in Karnataka, with a total combined capacity of ~26.73 MW.

Unsupported Rating
Not Applicable

Analytical Approach
Acuité has considered the standalone business and financial risk profile of Pemmasani Solar Power Private Limited (PSPPL) to arrive at the rating.

Key Rating Drivers

Strengths
Experienced management and assured off-take

The company is promoted by Mr. P. Panduranga Rao, Mrs. P. Sudharani, Mr. Mallikarjuna Rao, and others. The promoters are in the power generation via biomass and wind energy for nearly two decades through other projects. PSPPL has entered into a Power Purchase Agreement (PPA) with the Southern Power Distribution Company of Telangana Limited (TSSPDCL), Government of Telangana, for its entire capacity at a fixed tariff of Rs.6.84 per unit (kWh) for 25 years, till 2040. This substantially mitigates any off-take risk associated with the project. Further, the PPA is also secured by an irrevocable revolving LC opened by the TSSPDCL in favour of PSPPL. The agreement was signed in March 2015, and operations commenced in February 2016. Additionally, PSPPL has signed a 25-year PPA with Hubli Electricity Supply Company Limited (HESCOM) for four projects that is to be established in Karnataka. This substantially mitigates the demand and price risk associated with the project. The PPA, signed in December 2024, and Commercial Operation Date (COD) is of August 2025. Further, the PPA is also secured by an irrevocable revolving letter of credit (LC) opened by the HESCOM in favour of the PSPPL for payment assurance. Acuité believes that PSPPL is expected to benefit from experienced management and assured off-take with long-term PPA. However, the creditworthiness of TSSPDCL and HESCOM will remain a key monitorable.

Healthy financial risk profile

The financial risk profile of the company is healthy, marked by improving networth, low gearing ratios and moderate debt protection metrics. The net worth of the company stood at Rs.41.99 Cr. as on March 31, 2024, as against Rs. 36.86 Cr. as on March 31, 2023. The total debt of the company stood at Rs. 23.13 Cr. as on March 31, 2024, as against Rs. 31.91 Cr. as on March 31, 2023. The gearing of the company stood low at 0.55 times as on March 31, 2024, as compared to 0.87 times as on March 31, 2023. The TOL/TNW (Total outside liabilities/Total net worth) stood at 0.60 times as on 31 March 2024 as against 0.92 times the previous year. The Debt- EBITDA of the company has improved and stood at 1.99 times as on March 31, 2024, as against 2.62 times as on March 31, 2023. Further, for the upcoming plants, the total project cost excluding the Central Financial Assistance (CFA), is ~Rs. 115.02 Cr. This amount is to be financed through debt of ~Rs. 92.02 Cr, with the remaining portion funded through internal accruals. The debt tie-up is in advanced stages and is expected to be completed by the end of March 2025.

Acuite believes that the ability of the company to maintain its healthy financial risk profile in view of the ongoing debt-funded capital expenditure will remain a key monitorable.

Weaknesses

Dependence on climatic conditions

The performance of the solar plant is highly dependent on favourable climatic conditions including the solar radiation levels which have direct impact on the Plant Load Factor (PLF). In 9MFY2025 the average PLF achieved is ~20.%. PSPPL in order to improve its PLF has installed tracker technology.

Exposure to regulatory and counter party Risk

The company is exposed to regulatory risk as it is associated with the State Electricity Board. The company may face revision in the solar tariff as there have been instance of tariff revision by several other State Electricity Boards. The risk is mitigated to an extent on the back of existence of long-term Power Purchase Agreement with TSSPDCL (Southern Power Distribution Company of Telangana Limited) and with Hubli Electricity Supply Company Limited (HESCOM) for 25 years with fixed tariff rate.Any significant deterioration in the financial health of these entities could potentially impact the company's revenue stream and overall financial stability.

Rating Sensitivities

- Generation of adequate PLF levels.
- Timely receipt of payments from TSSPDCL and HESCOM.
- Sustainable improvement in Leverage and Solvency position of the company.
- Any deterioration in working capital cycle and liquidity profile of the company.
- Timely execution, commissioning and stabilization of the under-construction plants.

Liquidity Position

Adequate

PSPPL's liquidity is adequate marked by generation of sufficient net cash accruals in FY2024 to its maturing debt obligations and healthy liquid investments. Further, there exists secured payment mechanism with repayment of term loan through Escrow account with expected DSCR of over 1.5 times until FY2033. The cash account balance stood at Rs.0.54 Cr. as of March 31, 2024 and liquid investments stood at Rs.21.25 Cr. as on March 31, 2024. However, timely collection of payment from TSSPDCL and HESCOM and company’s ability to operate the plants at favourable PLF levels will be key monitorable over the medium term.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	13.47	13.19
PAT	Rs. Cr.	5.13	4.70
PAT Margin	(%)	38.05	35.66
Total Debt/Tangible Net Worth	Times	0.55	0.87
PBDIT/Interest	Times	4.63	4.04

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Interaction with Audit Committee anytime in the last 12 months (applicable for rated-listed / proposed to be listed debt securities being reviewed by Acuite)

Not applicable

Any other information

None

Applicable Criteria

- Default Recognition :- https://www.acuite.in/view-rating-criteria-52.htm
- Service Sector: https://www.acuite.in/view-rating-criteria-50.htm
- Infrastructure Sector: https://www.acuite.in/view-rating-criteria-51.htm
- Application Of Financial Ratios And Adjustments: https://www.acuite.in/view-rating-criteria-53.htm

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
28 Dec 2023	Term Loan	Long Term	23.83	ACUITE BBB+ | Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	20.17	ACUITE BBB+ | Stable (Reaffirmed)
13 Oct 2022	Term Loan	Long Term	30.34	ACUITE BBB+ | Stable (Upgraded from ACUITE BBB | Stable)
	Proposed Long Term Bank Facility	Long Term	13.66	ACUITE BBB+ | Stable (Upgraded from ACUITE BBB | Stable)
02 Sep 2022	Term Loan	Long Term	30.34	ACUITE BBB | Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	13.66	ACUITE BBB | Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	25.00	Simple	ACUITE BBB+ | Stable | Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	15 Aug 2015	Not avl. / Not appl.	15 Jun 2030	19.00	Simple	ACUITE BBB+ | Stable | Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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