Nagpur Municipal Corporation

March 28, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	200.00	CARE A; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of the rating assigned to bank facilities of Nagpur Municipal Corporation (NMC) continues to derive strength from the sustained growth in revenue receipts (RR) accompanied by consistent revenue surplus (RS) reported by the corporation. NMC's RRs witnessed a y-o-y growth of 14% in FY24 (over FY23). Similarly, the RS has also surged by 47% in FY24 to reach ₹1,243 crore from ₹844 crore in FY23. The RS as a percentage of RR also improved over the years and stood at 45% in FY24 against 35% in FY23 driven by the increased revenue grant from the state comprising GST compensation receipts and other special grants extended.

The rating also factors in continued lower reliance on debt despite increased development expenditure, which is supported by receipt of grants from the State and high own-surplus generation. The corporation has outstanding debt of ₹58 crore as on March 13, 2025, against cash and bank balance of ₹1,075 crore and ₹721 crore of investments as fixed deposits as on March 15, 2025. The overall debt / RR position stood at 0.04x for the corporation in FY24.

NMC has also been undertaking developmental projects for improving the city's infrastructure with capital expenditure in range of ₹1,300 crore over the last three years. The corporation has taken up one road cementing project, a project for constructing 42 overhead tanks, and laying pipelines, and distributing and installing tap water. These projects are funded partly by the central/state government and partly by the corporation's own funds/debt. NMC has upcoming projects such as the Nag River Pollution Abatement Project and the Pora River Project for which funding is yet to be tied up. CARE Ratings Limited (CARE Ratings) understands that a large part of capex would be funded through Central/State grants or own revenue with reliance on debt not exceeding ₹200 crore. Any deviation from the same impacting the debt coverage shall be important.

The rating strengths are tempered by the corporation's low self-reliance given the higher share of grants in its revenues (almost 70% of RRs) majorly as GST compensation receipt from the Government of Maharashtra, post abolishing local body taxes and declining collection efficiency. Moderate collection efficiency of property tax arrears has been compensated by improved collection of current property tax demands and increased grants and non-tax revenue have supported RR growth. However, improved collection efficiency is important for sustained growth of the corporation's fiscals and hence shall remain important from credit perspective.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Continued growth in RRs with RS/RRs maintained above 35% on a sustained basis.
- Improvement in collection efficiency above 50% on a sustained basis.
- Improved service delivery benchmarks to 90% and above on a sustained basis.

Negative factors

- Reduction in RRs and de-growth in RS.
- Significant and sustained delays in receipt of revenue grant from State Government.
- Fall in property tax collection efficiency to below 35%.

Analytical approach: Standalone

Outlook: Stable

The stable outlook reflects CARE Ratings' expectation of steady receipt of GST grants from the Government and continued generation of RS with comfortable debt and liquidity structure of the corporation.

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

Detailed description of key rating drivers:

Key strengths

Satisfactory economic base
Nagpur is the second capital of Maharashtra and the largest city in Vidarbha (eastern region of Maharashtra). Nagpur city is emerging as an important industrial town and NMC has been continuously incurring capex for developing the infrastructure base in the city. NMC's industrialisation level is moderate at above 65%, with gradual development of industrial set ups.
While there are shortfalls in certain civic infrastructure, all households are covered under solid waste collection and 95% households have water supply coverage.

Growth in RRs and improved RS over the years
The corporation's RRs witnessed continuous growth and has reported consistent RS over the last few years. In FY24, RRs have increased to ₹2,773 crore from ₹2,439 crore and RS has also surged by 47% in FY24 to reach ₹1,243 crore. RS as a percentage of RRs also improved over the years and stood at 45% in FY24 against 35% in FY23 driven by the increased revenue grant from the state comprising GST compensation receipts and other special grants extended. The GST compensation is being received in a timely manner within first 10 days of every month. In FY24 (Actuals), the corporation's RRs grew by 14% with increased grants, increased other income, and stable non-tax income. The non-tax revenue reported significant increase of 81% in FY22 (to ₹491 crore) after resuming normal business activities, subsiding impact of COVID-19 and pent-up demand emanating from the real estate segment. Thereafter, it has been stable ~₹500 crore for last two years. With improvement in overall revenue, surplus increased from ₹844 crore in FY23 to ₹1,243 crore in FY24.

Comfortable debt profile
The corporation has minimal reliance on debt to fund its capex plans. Its debt level stood at ₹58 crore as on March 13, 2025 (against ₹103 crore as on March 31, 2024), which with sustained RS, resulted in comfortable debt coverage metrics. Debt to RRs stood satisfactory at 4% for FY24 (Actuals). CARE Ratings do not envisage the overall borrowing to exceed ₹200 crore in medium term.

Reform-oriented administration
Reforms and measures have been/are taken to increase revenues, especially in property tax. Reforms include GIS mapping, property tax collection app for the corporation to easily assess and track property tax dues, in line assessment, and payment among others. NMC has also digitised operations such as online platforms for shop license registration, POS machines to make tax payments, online assessments, and payment of taxes among others. The corporation has also launched the Abhay Yojna in 2023, which offers 80% waiver on penal interest on arrears between January 1, 2024, and March 31, 2024, and collected ₹40.39 crore through the scheme by March 09, 2024.

Capex incurred for infrastructure development
NMC has undertaken projects for upgrading the city's infrastructure. The capital expenditure for last three years has been in range of ₹1,300 crore. The corporation has completed the first phase of road cementing project and is close to completing the second phase. Under third phase, Corporation has completed 31 roads, and under fourth phase, 33 roads have been sanctioned where 10% progress is achieved. The project laying of pipelines, distribution, and installation of taps till the end of December 2024 achieved ~96% physical progress. The capex incurred over the last three years is at an average of ₹1,000 crore, which has been largely funded through grants received/own surplus.
NMC has upcoming projects such as Nag River Pollution Abatement Project and Pora River Project at project cost of ₹1,927.00 crore and ~₹900.00 crore, respectively, for which large part of capex would be funded through Central/State grants or own revenue with reliance on debt not exceeding ₹200 crore.

Key weaknesses

Low self-reliance with lower proportion of the corporation's revenue
The corporation has low self-reliance on its revenue sources. Tax revenue comprises property tax revenue, water tax, and others, which account for ~10% of total RRs. GST grants has been a major revenue contributor with an average of 62% share in RRs. The own-revenue share to overall RRs has been low at 38% in FY24. The corporation depends on timely receipt of GST grants from the State and delays might impact its overall financial profile. The corporation receives share of GST compensation from the State Government as stipulated in "The Maharashtra Goods and Services Tax (Compensation to The Local Authorities) Act 2017".

Moderate collection efficiency

The property tax collection efficiency (current demand) has improved in FY24 to ~65% (35% in FY23). However, the collection of arrears remains low at 15%, resulting in an overall collection efficiency of 26%. The corporation has relatively high arrears mainly due to central government properties, where collection has been a challenge. These, and penal interest of 2% per month on arrears, inflates overall demand significantly.

Liquidity: Adequate

The corporation has been reporting consistent RS, which with low debt level, resulted in a satisfactory liquidity profile. The corporation has outstanding debt of ₹58.00 crore as on March 13, 2025, against cash and bank balance of ₹1,075 crore and ₹721 crore of investments as fixed deposits as on March 15, 2025.

Assumptions/Covenants: Not applicable

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

Applicable criteria

Policy on Default Recognition
Urban Infrastructure Projects
Assigning 'Outlook' or 'Rating Watch' to Credit Ratings
Liquidity Analysis of Non-financial sector entities
Financial Ratios – Non financial Sector

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Services	Services	Public services	Urban local bodies

NMC was established in March 1951. It is governed by the City of Nagpur Corporation Act, 1948. The area under NMC is divided into 10 zones. It has a coverage area of 217.56 sqkm with a population of 24.06 lakh (2011 census). Nagpur Improvement Trust (NIT) works with NMC and carries out works such as development of civic infrastructure and new urban areas.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (A)
Revenue receipts	2,189	2,439	2,773
Revenue surplus	862	844	1,243
Revenue surplus/Revenue receipts (%)	39.38	34.60	44.84
Own revenue/Revenue receipts (%)	33.92	34.14	37.63

A: Actuals; 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 (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan	NA	-	-	October 2027	200.00	CARE A; Stable

NA: Not applicable

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 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	200.00	CARE A; Stable	-	1)CARE A; Stable (19-Mar-24)	1)CARE A-; Stable (20-Feb-23)	1)CARE A-; Stable (22-Nov-21)

LT: Long 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-Term Loan	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Contact us

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About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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