Municipal Corporation of Delhi

March 21, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Issuer Rating	0.00	CARE BBB-; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The issuer rating assigned to Municipal Corporation of Delhi (MCD) factors in its strategic importance to Government of the National Capital Territory of Delhi and Government of India (GoI) with the Corporation being the largest municipal corporation in Delhi providing civic services to ~97% of the National Capital Territory of Delhi (NCTD). MCD provides civic services to NCTD and hence is an important quasi-Government body. The Corporation benefits from strong economic base of the Delhi with the city being home for many national and multinational giants both in the manufacturing and as well as service sector space. The corporation also has good infrastructure in place, a strong record in terms of geographic coverage and service delivery and has been performing well in the execution of its civic duties. The rating is driven by continued support received from the State Government in form of grants (revenue and capital) and loans provided earlier which has enabled the Corporation to manage its liquidity. CARE Ratings Ltd. (CARE Ratings) expect the support to continue given the importance of MCD. Given the modest financials of MCD, continuity of such support would be a key rating sensitivity.

The rating strengths are offset by the weak financial position of the Corporation with its high expenditure base and limited revenue growth resulting in continued revenue deficit in the past. CARE Ratings notes that the corporation has reported a revenue surplus of Rs.57 crores during FY24 (FY refers to period April 01 to March 31). However, MCD has reported revenue deficit during 9MFY25 which is likely to continue for the entire fiscal FY25. The rating is further constrained by limited autonomy in implementation of reforms and stretched liquidity profile.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in own revenue base and the corporation reporting revenue surplus consistently.

Negative factors

- Reduced support from the Government of Delhi/and or reduced strategic importance
- Continued reporting of revenue deficit thereby impacting the liquidity position

Analytical approach: Standalone

Outlook: Stable

Given the importance of Corporation for NCTD, it is expected that MCD would continue to receive support from Government to manage its finances thereby supporting the fiscal profile in the medium term

Detailed description of the key rating drivers:

Key strengths

Strategic importance to Government of Delhi and well as Union Government and strong economic base

Delhi is the second largest city in India in terms of GDP and MCD provides civic services to 97% of the National Capital Territory of Delhi. Thus MCD is strategically important to Government of India and as well as Government of Delhi. The city boasts a robust economic base, hosting numerous national and multi-national corporate houses, as well as government buildings. Apart from the strong economic base, Delhi is also one of the prominent tourist destinations. MCD has good infrastructure in place and has a strong track record in terms of coverage and service delivery.

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

Financial support from Government

With Delhi being strategically important, MCD received large amounts of grants both capital and revenue to the tune of Rs.4,225 crores in FY24. Apart from the revenue grants, the corporation receives assigned revenue (part of share of stamp duty) which constituted around 23% of the revenue in FY24. The corporation has been receiving the assigned revenue in a timely manner. The support from Government is expected to continue with aggregate assistance of ~Rs.8423 crore budgeted by the Government towards support to Urban Local bodies in its budgetary announcement for 2024. Continuity of support from Government thereby supporting the cashflows/liquidity position is important from credit perspective.

Key weaknesses

Weak financial position of the corporation

There has been a continuous increase in expenses over the last few years, however the income has remained rangebound. As a result, MCD has been reporting a deficit till FY22. During FY23 and FY24, the Corporation reported revenue surplus driven by significant growth in property tax revenue which has more than doubled from FY22 to FY24 (from Rs.2122 crore in FY22 to Rs.4733 crore in FY24). The same has been due to improved efforts of collecting property tax, increased properties brought under assessment, hike in property tax rate (majorly change in the unit rate) and reforms in form of GIS mapping, geo tagging etc. During 9MFY25, the Corporation has reported deficit which is likely to continue for the entire fiscal FY25. The corporation is looking at Public Private Partnership projects such as construction of parking lots, commercial establishments, etc to increase the revenue base. While the effective implementation of same and revenue generation remains to be seen, given the modest financial position, MCD would continue to require support from the Government of Delhi.

Limited autonomy in levy of taxes:

MCD has limited autonomy in implementation of reform with key decisions like property tax revision implemented by state government. The property taxes have been revised after more than a decade in FY24 for certain areas. Before the recent revision, the last revision was undertaken in 2004. The low base rate to an extent, hindered the ability of the Corporation to increase property tax revenue. The implementation of tax reforms will be crucial for sustenance of the corporation.

Liquidity: Stretched

The liquidity remained moderate with MCD having large liabilities in form of payments to creditors/salary payments. However, MCD has no external debt and there is no defined repayment schedule for the debt availed from the State and Central Government.

Assumptions/Covenants: Not Applicable

Environment, social, and governance (ESG) risks Not Applicable

Applicable criteria

[Definition of Default]
[Issuer Rating]
[Liquidity Analysis of Non-financial sector entities]
[Rating Outlook and Rating Watch]
[Financial Ratios – Non financial Sector]
[Urban Infrastructure Projects]

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Services	Services	Public Services	Urban Local Bodies

Municipal Corporation of Delhi is one of the three Municipal Bodies of Delhi. The Corporation was formed in 1958 and is governed by The Delhi Municipal Corporation Act, 1957 (amended from time to time). On January 13, 2012, the Corporation was trifurcated into three municipal bodies – i) East Delhi Municipal Corporation (EDMC), North Delhi Municipal Corporation (NDMC) and South Delhi Municipal Corporation (SDMC). In March 2022, the Union Government approved the Delhi Municipal Corporation (Amendment) Bill to merge the above mentioned ULBs into a unified corporation again. Subsequently, the three entities were reunified and formed as Municipal Corporation of Delhi (MCD) in May 2022. MCD is largest Municipal Corporation in the country covering an area of 1397.3 Sq. Kms and catering to about 22 million population of Delhi. It is sub- divided into 12 Zones i.e. Centre, South, West, Najafgarh, Rohini, Civil Lines, Karol Bagh, SP-City, Keshavpuram, Narela, Shahdara North & Shahdara South.

Brief Financials (₹ crore)	FY23 (A)	FY24 (A)	9MFY25 (A)
Reported revenue receipts	10,694	11,619	9,501
Reported revenue surplus	963	57	-1,934
Revenue surplus/revenue receipts (%)	9	0.49	-20
Own revenue/revenue receipts (%)	66	63	65

A: Actuals Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Please refer Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of various 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 along with Rating Outlook
Issuer Rating-Issuer Ratings	-	-	-	-	0.00	CARE BBB-; Stable

Annexure-2: Rating history for the 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	Issuer Rating-Issuer Ratings	Issuer rat	0.00	CARE BBB-; Stable	-	1)CARE BBB-; Stable (07-Mar-24) 2)CARE BBB-; Stable	-	-

						(13-Apr-23)		

LT: Long term

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities : Not Applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Issuer Rating-Issuer Ratings	Simple

Annexure-5: Lender details

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

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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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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