

Vijayawada Municipal Corporation

August 29, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	75.00	CARE BBB+; Stable	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the bank facilities of Vijayawada Municipal Corporation (VMC) derives strength from its healthy financial profile, demonstrated by consistent revenue surplus and high self-reliance, with ~87% of its income generated from own sources. VMC, has consistently generated revenue surplus (₹89 crore in FY25) over the years and is expected to remain in surplus over the medium term.

VMC, being the sole municipal corporation of Vijayawada, benefits from the city's strategic importance to the Government of Andhra Pradesh (GoAP) as the second-largest city in the state and the nearest major urban centre to Amaravati, the capital city, which continues to attract significant infrastructure investments supporting its growth prospects.

The rating also factors in satisfactory debt level vis-à-vis the revenue receipts with overall debt/RR position stood at 0.77x for the corporation in FY25. CARE Ratings Limited (CareEdge Ratings) do not envisage any large addition with surplus generation along with Government grant to finance the various capital expenditure programme.

VMC's financial profile is also supported by adequate cash and bank balance equivalents of ₹291 crore as on March 31, 2025. However, the rating is tempered by fluctuating revenue receipts, VMC's limited autonomy and dependence on the state government for reforms, modest but economic growing base and inadequate management information systems. Given the growing size and scale of corporation, stronger MIS would impart higher authenticity to the financials and operational metrics. Considering the city's growth and development due to its proximity to the capital city of Andhra Pradesh, capital expenditure requirements are expected to increase and corporation's ability to manage these requirements while maintaining its financial position will remain important from credit perspective.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors:

- Growth in the size of the corporation with a sustained revenue surplus
- Improved service delivery benchmarks on a sustained basis

Negative factors:

- Reduction in revenue receipts and a decline in revenue surplus
- Increased debt level with debt/RR above 30%

Analytical approach: Standalone

Outlook: Stable

VMC is expected to maintain a comfortable financial profile with steady growth in revenue receipts, consistent revenue surplus generation and a high share of its own revenue.

¹Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

Detailed description of key rating drivers:**Key strengths****Strategic and economic importance of the city and satisfactory service delivery record**

VMC covers ~62 square kilometre with a population of 10 lakh (per 2011 census). Being the municipal corporation of Andhra Pradesh's second largest city, VMC is of strategic and economic importance to the state. Vijayawada is the second-largest city in the state and the closest major urban centre to Amaravati, the capital city of Andhra Pradesh, thus attracting infrastructure investments that support its growth prospects. The corporation has solid waste collection coverage at 100%, water supply coverage at 85%, storm water coverage at 60%, and sewerage coverage at 80%. Though there are shortfalls in the coverage of civic amenities provided by the corporation, the corporation has been incurring capex for the improvement of the same.

Self-reliant corporation with high proportion of own revenue

VMC has reported consistent growth in the revenue receipts over the last few years despite a fluctuating growth rate. However, there is consistent increase in property tax revenue from ₹109 crore in FY21 to ₹191 crore in FY25 led by augmentation of property tax through levy of property tax from rental to capital value (in FY22) as well as growing property tax base. Non-tax revenue has been witnessed a range bound growth and has been ₹115 crore – ₹175 crore (FY25 - ₹155 crore)

During FY25, VMC has reported a growth of 21% in revenue receipts mainly led by increase in the property taxes and non-tax revenue (majorly building permit fees). VMC continues to be a self-reliant entity with about ~87% of the revenue coming from its own sources during FY25 (vis-à-vis about 94% in FY24) and minimal reliance on government grants

Healthy financial profile and declining debt levels

VMC generated healthy revenue surplus of ₹81 during FY25, led primarily by consistent and healthy income from its own tax and non-tax revenue receipts. Consequently, with reducing debt and healthy surplus, VMC's debt coverage metrics and liquidity remain comfortable. The debt/RR ratio at the end of FY25 stood at 0.77x as against 1.63x at the end of FY24.

Key weaknesses**Fluctuating RR and limited autonomy with dependence on state government for reforms**

VMC has limited autonomy in implementation of reform with key decisions like property tax revision implemented by state government. The revenue of corporation has been fluctuating with RR ranging from ~₹300 crore to ₹435 crore.

The property taxes have been revised after more than a decade in FY22. Before the revision in FY22, the last revision was undertaken in 2011. The implementation of tax reforms will be crucial for sustenance of the corporation.

With an inconsistent revenue and surplus generation, any large sized capex undertaken by the Corporation shall require Government support. Also, while there is a surplus at revenue level, there have been deficits on an overall basis with financing of same supported through available liquid funds.

Inadequate management information systems with need to strengthen internal controls

The corporation's management information systems are inadequate for the scale of operations and require significant strengthening to ensure effective monitoring and reporting.

Liquidity: Adequate

The corporation has been reporting consistent revenue surplus with low debt levels, resulting in satisfactory liquidity profile. VMC has sufficient cash and balances of ₹291 crore as on March 31, 2025, against a debt of ₹69 crore as on March 31, 2025.

Assumptions/Covenants: Not applicable

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

Applicable criteria

[Definition of Default](#)
[Liquidity Analysis of Non-financial sector entities](#)
[Rating Outlook and Rating Watch](#)
[Urban Infrastructure Projects](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Services	Services	Public Services	Urban Local Bodies

VMC was initially constituted as a municipality in 1888 and was later upgraded to a municipal corporation in 1981. It functions under the provisions of the Andhra Pradesh Municipal Corporations Act 1994. Before its expansion, VMC's jurisdiction was limited to the core city area with a relatively smaller geographical footprint and population. To facilitate planned urban growth and improve governance, GoAP expanded the corporation's jurisdiction by merging 10 surrounding gram panchayats and several peripheral urban areas in the municipal limits.

As of now, VMC has administrative jurisdiction over an area of ~61.88 square kilometre and a population of ~10.39 lakhs, 2.86 lakh households per the 2011 Census. For administrative efficiency, the area under VMC is divided into 64 municipal wards and three zones. VMC operates under the supervision of the Municipal Administration and Urban Development (MA&UD) Department of the GoAP.

Brief Financials (₹ crore)	FY24 (A)	FY25 (A)
Reported revenue receipts	352	435
Reported revenue surplus	53	89
Adjusted revenue surplus**	NA	NA
Adjusted revenue surplus/revenue receipts** (%)	NA	NA
Own revenue/revenue receipts (%)	94%	87%

**Adjusted for incremental debtors and excluding depreciation

A: Audited NA: Not Applicable; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: ICRA has placed the rating assigned to the bank facilities of VMC into ISSUER NOT COOPERATING category vide press release dated March 28, 2025 on account of its inability to carry out a review in the absence of requisite information.

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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Term Loan-Long Term		-	-	31-Dec-2033	75.00	CARE BBB+; Stable

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 2025-2026	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
1	Term Loan-Long Term	LT	75.00	CARE BBB+; Stable				

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	Term Loan-Long Term	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please [click here](#)

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

Contact us

<p>Media Contact</p> <p>Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in</p> <p>Relationship Contact</p> <p>Saikat Roy Senior Director CARE Ratings Limited Phone: 912267543404 E-mail: saikat.roy@careedge.in</p>	<p>Analytical Contacts</p> <p>Puja Jalan Director CARE Ratings Limited Phone: 914040020131 E-mail: puja.jalan@careedge.in</p> <p>Tej Kiran Ghattamaneni Associate Director CARE Ratings Limited Phone: 914040020131 E-mail: tej.kiran@careedge.in</p> <p>Sriram Gurujala Goud Lead Analyst CARE Ratings Limited E-mail: Sriram.Goud@careedge.in</p>
--	---

About us:

Established in 1993, CareEdge 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 Reserve Bank of India. With an equitable position in the Indian capital market, CareEdge 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, CareEdge 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. CareEdge Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit. For more information: www.careratings.com

Disclaimer:

This disclaimer pertains to the ratings issued and content published by CARE Ratings Limited ("CareEdge Ratings"). Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. Any opinions expressed herein are in good faith and are subject to change without notice. The rating reflects the opinions as on the date of the rating. A rating does not convey suitability or price for the investor. The rating agency does not conduct an audit on the rated entity or an independent verification of any information it receives and/or relies on for the rating exercise. CareEdge Ratings has based its ratings/outlook on the information obtained from reliable and credible sources. CareEdge Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. The users of the rating should rely on their own judgment and may take professional advice while using the rating in any way. CareEdge Ratings shall not be liable for any losses that user may incur or any financial liability whatsoever to the user of the rating. The use or access of the rating does not create a client relationship between CareEdge Ratings and the user.

CAREEDGE RATINGS DISCLAIMS WARRANTY OF ANY KIND, EXPRESS, IMPLIED OR OTHER WARRANTIES OR CONDITIONS, TO THE EXTENT PERMITTED BY APPLICABLE LAWS, INCLUDING WARRANTIES OF MERCHANTABILITY, ACCURACY, COMPLETENESS, ERROR-FREE, NON-INFRINGEMENT, NON-INTERRUPTION, SATISFACTORY QUALITY, FITNESS FOR A PARTICULAR PURPOSE OR INTENDED USAGE.

Most entities whose bank facilities/instruments are rated by CareEdge Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CareEdge Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. CareEdge Ratings does not act as a fiduciary by providing the rating. The ratings are intended for use only within the jurisdiction of India. The ratings of CareEdge Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades. CareEdge Ratings has established policies and procedures as required under applicable laws and regulations which are available on its website.

Privacy Policy applies. For Privacy Policy please refer to https://www.careratings.com/privacy_policy

© 2025, CARE Ratings Limited. All Rights Reserved.

This content is being published for the purpose of dissemination of information. Any use or reference to the contents herein on an "as-is" basis is permitted with due acknowledgement to CARE Ratings. Reproduction or retransmission in whole or in part is prohibited except with prior written consent from CARE Ratings.

**For detailed Rating Report and subscription information,
please visit www.careratings.com**