

Gandhinagar Municipal Corporation

September 12, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Bonds	25.00	CARE AA; Stable	Final Rating Confirmed
Details of instruments/facilities in Annexure-1.			
Rating in the absence of pending steps/ documents			Withdrawn

Rationale and key rating drivers

CARE Ratings Limited (CareEdge Ratings) confirms the rating assigned to these bonds following the submission of following documents:

- a. Debenture trust deed
- b. Escrow agreement
- c. Final term sheet

The rating assigned to bonds of Gandhinagar Municipal Corporation (GMC) factors in the trustee-administered structured payment mechanism (SPM) with an escrow provisioning of property tax towards debt obligations of the entity, priority of debt servicing, and stipulated reserves to be maintained in the form of a sinking fund and a debt service reserve fund. GMC issued borrowing in the form of bond issuance and comfort is derived from the 1.25x coverage stipulated in the SPM and cashflows of GMC comfortably covering it. The rating also factors in the satisfactory financial profile of the corporation with consistent growth in revenue receipts and strong revenue surplus reported y-o-y, providing adequate liquidity position. Revenue receipts, growing by 1% in FY25 on a y-o-y basis from ₹577 crore to ₹582 crore and GMC have maintained a healthy revenue surplus of ₹325 crore in FY25 (PY: ₹390 crore). The corporation has low debt levels of ₹25 crore as on June 30, 2025.

Gandhinagar is the capital of Gujarat and GMC being the sole municipal body of the city is of strategic importance to the state.

However, rating strengths are tempered by moderate collection efficiency and relatively low economic base. The city has low economic base, but it has been attracting investment due to the developments around the Gujarat International Finance Tec-City (GIFT City), which is in the vicinity of GMC, although it does not come under GMC's administrative jurisdiction. Due to developments and investments in GIFT City, GMC has also witnessed increased investments in real estate, which boosted its non-tax revenue. Going forward, tax revenue is also expected to grow backed by such real estate developments in the city.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Growth in the size of the corporation with sustained revenue surplus.

Negative factors

- Non-adherence to the SPM with reduction in property tax coverage for bonds below 2x.
- De-growth in revenue surplus on a continuous basis.
- Significant increase in debt levels, impacting the liquidity profile.

Analytical approach: Standalone including trustee-monitored structured payment mechanism, involving escrow of designated tax revenue with priority towards debt servicing of bonds, creation of Interest payment account, sinking fund account and debt service reserve account (DSRA).

Outlook: Stable

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

GMC is expected to maintain a comfortable financial profile with steady growth in revenue receipts, consistent revenue surplus generation and strong liquidity position.

Detailed description of key rating drivers:

Key strengths

Strategic importance to Gujarat

Gandhinagar is the capital of Gujarat. GMC being the sole municipal body of the city is of strategic importance to the state and hosts several government buildings and offices. Importance has been reflected through release of funds from Government of Gujarat for funding majority capex undertaken by GMC. GMC possesses locational advantages with its proximity to Ahmedabad and GIFT City. GMC has good infrastructure in place and has a strong track record in terms of coverage and service delivery.

Trustee monitored Structured payment mechanism

GMC would follow SPM through the creation of an escrow account of its property tax collections revenue with priority for servicing bonds. In case the transfer from property tax collection occurs below ₹5 crore, GMC shall also arrange to transfer the collection from Professional Tax Collection Account and Vehicle Tax Collection Account. Under the SPM, collections under the tax revenue will be transferred to a separate escrow account. SPM's salient features are as follows:

- i. Funds should be first utilised to accumulate minimum balance in Escrow Account as defined in the debenture trust deed.
- ii. Thereafter, funds should be utilised to fund shortfall in required DSRA amount (in case of utilisation of the DSRA amount), Interest payment account and sinking fund account per the interest payment and sinking fund.
- iii. The surplus funds after first accumulating the Minimum Balance can be transferred to the general fund account(s) in accordance with the directions of the Issuer periodically.

The structure stipulates total collection in the escrow account in any financial year to be at 1.25x, the amount of the annual payments (coupon + principal amount). GMC would maintain a DSRA equivalent to yearly interest payment amounts for the bonds issue and would also create a sinking fund reserve for the payment of bonds. The SPM also stipulates T minus structure (T= bond payment date) for servicing of interest and principal repayment. The debenture trustee, on behalf of debenture holders, shall have an exclusive first charge on the escrow account, interest payment account (including the DSRA amount), sinking fund account and permitted investments made from these accounts for the exclusive benefit of debenture holders. The amount deposited in the interest payment account (including the DSRA amount) and sinking fund account shall be used solely for meeting the dues to the debenture holders. No amount can be withdrawn from this account without the approval of debenture trustee.

Strong financial performance

There has been a sustained increase in revenue receipts of the corporation in the last few years. Revenue receipts of GMC grew at a compound annual growth rate (CAGR) of 49% from FY21-FY25, mainly led by significant increase in non-tax revenue, primarily from town planning department. In 2021, 18 surrounding villages were merged with GMC, which increased the area under jurisdiction and enabled higher real estate development activity. The town planning revenue also witnessed sharp growth, backed by incidental construction in GMC area following the substantial investments in the GIFT City. These factors led to increased revenue from town planning income from ₹0.66 crore in FY20 to ₹350 crore in FY25. Revenue receipts grew by 1% in FY25 on a y-o-y basis. Growth is likely to continue in FY26 with continued investments expected at the GIFT City.

While revenue expenditure rose by 38% in FY25 over FY24, GMC maintained a healthy revenue surplus of ₹325 crore. Revenue surplus grew sharply from ₹38 crore in FY20 to ₹325 crore in FY25, registering a CAGR of 54%.

Comfortable financial position and sustainable capex

GMC does not have external borrowings as on March 31, 2025. For the bond issuance, comfort is derived from stipulated SPM and cashflows of GMC comfortably covering it. Debt service coverage ratio (DSCR) is also expected to remain at a healthy level for the corporation, based on current borrowings and capex plans. With the expanding city, there is an increase in capital expenditure in the last few years with capital expenditure increasing from ₹34 crore in FY21 to ₹727 crore in FY25. This has ensured maintenance of high service level benchmarks with continued capex incurred toward roads, water supply, and sanitation. Sustained capex is expected to be incurred, which is likely to be funded majorly through grants, in line with the past trend. Large liquid balance of GMC also is expected to support incremental capex requirements.

Key weaknesses

Low but growing economic base and moderate collection efficiency

Gandhinagar has low industrialisation base and is historically hosted majorly by government employees. Owing to low economic base, the population and revenue base is relatively lower when compared to other corporations in the state. Property tax contributions to the revenue receipts remained low at ~13% in FY25. However, economic base has been growing with the emergence of the GIFT City, which falls in the vicinity of GMC and the incidental construction activities are likely to support property tax revenue growth also going forward. Collection efficiency of tax revenue has been moderate at ~54% in FY24 and 59% in 11MFY25. GMC has undertaken measures to improve this with adoption of GIS Mapping, and implementation of online collection of property taxes among others, which has been contributing to the growth of property tax. GMC followed cash basis of accounting with the corporation shifting to double entry accrual accounting for issuance of bonds.

Liquidity: Strong

GMC's liquidity position is strong with consistent revenue surplus in the last few years. GMC is maintaining DSRA and sinking fund in the form of fixed deposit for the bond issuance. As on March 31, 2025, the free cash and bank balance of GMC stood at ₹662 crore.

Assumptions/Covenants

- DSRA of two semi-annual coupon payments have to be maintained.
- Total tax amounts collected in the escrow account in any financial year will be at least 1.25x the amount of the annual payments (coupon + principal amount).
- Interest payment and principal repayment mechanism

Date	Event	Measure if shortfall occurs
Interest Payment Account (IPA)		
T-25	Trustees will check amount in Interest Payment Account	Intimate GMC to make good for the shortfall in interest payment account 15 days prior to interest payment date.
T-14	Trustees shall re-check amount in interest Payment	Trustees will trigger the payment mechanism and bank will be instructed to transfer the shortfall amount from DSRA to interest payment account 14 days prior to interest payment date. Withdrawal from DSRA should be deposited back in the account
T	IMC shall pay the interest on due date	-
Sinking Fund Account (SFA)		
T-25	Trustees shall check credit in the sinking fund	Intimate GMC of the shortfall and GMC shall make good the shortfall 15 days prior to redemption date
T-14	Trustee shall issue final notice	-
T	IMC shall pay the redemption amount on due date	

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](#)

[Financial Ratios – Non financial Sector](#)

[Withdrawal Policy](#)

[Urban Infrastructure Projects](#)

About the company and industry

Industry classification

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

GMC is the municipal corporation of Gujarat and is governed by The Gujarat Provincial Municipal Corporations Act, 1949. Gandhinagar is capital city of Gujarat. GMC was set up on March 16, 2010, after a ruling by the Gujarat High Court in 2009. GMC covers an area of 326 sq kms with a population of 2.02 lakhs (2011).

Brief Financials (₹ crore)	FY24 (A)	FY25 (Provisional)
Reported Revenue Receipts	577	582
Reported Revenue Surplus	390	325
Revenue Surplus/Revenue Receipts	67.65	55.81
Own Revenue/Revenue Receipts	94.75	92.15

A: Audited UA: Unaudited; 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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Bonds	INE1NT924013	23-06-2025	7.65	23-06-2030	25.00	CARE AA; Stable
Rating in the absence of the pending steps/documents		-	-	-	0.00	Withdrawn

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	Bonds	LT	25.00	CARE AA; Stable	1)Provisional CARE AA; Stable (05-May-25)	1)Provisional CARE AA; Stable (02-May-24)	-	-
2	Rating in the absence of the pending steps/documents	LT	-	-	1)CARE AA- (05-May-25)	1)CARE AA- (02-May-24)	-	-

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	Bonds	Simple
2	Rating in the absence of the pending steps/documents	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.

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About us:

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