Indore Municipal Corporation

December 03, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Issuer rating	0.00	CARE AA; Stable	Reaffirmed
Non-convertible debentures	244.00	CARE AA; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation in ratings assigned to the non-convertible debentures (NCDs) and issuer rating of Indore Municipal Corporation (IMC) factor in its strong economic base, which provides revenue growth potential, healthy financial profile, backed by growth in revenue receipts (RRs) and sustained revenue surplus reported in the last few years. It also factors in comfortable financial profile and presence of structured payment mechanism for the bond's issuance and a healthy liquidity position.

IMC reported growth of 8% in revenue receipts in FY25 (FY refers to April 01 to March 31) from ₹1,681 crore in FY24 crore to ₹1,817 crore in FY25. Adjusted revenue surplus (adjusted for incremental debtors) to RRs have also been healthy and consistent at an average of 24% for the last three years.

IMC is the largest municipal corporation in Madhya Pradesh and is of strategic importance to the state and benefits from the city's growing economic base. It also has strong service delivery track record with renowned solid waste management practices and fair civil infrastructure maintained with Indore ranked as the cleanest city in India.

Ratings derive comfort from the trustee-administered structured payment mechanism (SPM) for bonds with escrow of designated revenue collections towards debt obligations, the priority of debt servicing and stipulated reserves maintained as sinking fund and debt service reserve account (DSRA). Comfort is derived from 2x coverage stipulated in the SPM, with IMC's cashflows comfortably covering them. The corporation has comfortable debt coverage metrics, debt/surplus at 1.67x in FY25.

However, rating strengths are tempered by moderate collection efficiency and dependence on state government for receipt of the share of Octroi compensation, which contributes ~25% of RR. While comfort is derived from the track record of receipts of such compensation timely, continuity of this is important to maintain a healthy revenue profile. Given the city's growth and industrial development, capex requirements are on an increasing trend and the corporation's ability to manage this while maintaining its financial position will be important from the 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.
- Improvement in the property tax collection efficiency above 90% on a sustained basis.

Negative factors

- De-growth in revenue surplus on a continuous basis.
- Delayed receipt of goods and services tax (GST) compensation from the state government, impacting the liquidity position.
- Higher-than-envisaged debt level, impacting the liquidity profile.

Analytical approach: Standalone

Outlook: Stable

IMC is expected to maintain a strong financial profile with steady growth in its own revenues, consistent revenue surplus generation and comfortable liquidity.

[1]Complete 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

Growing economic base, efficient operations, and service delivery track record
IMC is the largest municipal corporation in Madhya Pradesh and is witnessing growing industrialisation. IMC, and its special purpose vehicle (SPV), Indore Smart City Development Limited (50% held by IMC and 50% by the Madhya Pradesh Government), is engaged in augmenting core infrastructure requirements, such as adequate water supply, assured electricity supply, sanitation, which includes solid waste management, efficient urban mobility and public transport, and affordable housing among others. IMC has a strong track record in terms of coverage and service delivery, with ~100% coverage of solid waste and sewerage coverage. IMC is the first urban local body (ULB) in India to set up waste management under the public-private partnership (PPP) model and has been ranked as the cleanest city in the country seven times consecutively by the Ministry of Urban Development (MoUD) in its Swachh Survekshan Survey. Although there are shortfalls in coverage of water supply and water drainage coverage, the corporation is likely to address this going forward.

Satisfactory financial performance
IMC reported growth of 8% in revenue receipts in FY25 (from ₹1,681 crore in FY24 crore to ₹1,817 crore in FY25) primarily led by a 21% growth in non-tax revenue with tax revenue growth at moderate level of ~9% on a y-o-y basis. Non-Tax revenue grew mainly due to increased permit revenue from real estate activity, while property tax grew mainly due to increased tax rate in certain zones. The corporation has also been reporting consistent revenue surplus in the last few years. Adjusted revenue surplus of the corporation (adjusted for incremental debtors) registered a growth of ~6% in FY25 and stood strong at ~₹438 crore (₹413 crore in FY24). Adjusted revenue surplus/RRs have also been comfortable at an average of ~24% for the last three years.

Trustee administered structured payment mechanism
IMC follows a SPM through creation of escrow account of its designated own revenue collections (defined as revenues/cash flows being directly levied and collected or recovered by the IMC) with priority for servicing of bonds. Under the SPM, collections under the own revenue heads (tax revenues [property tax, water tax, advertisement tax, etc], rental income, fees and user charges, sale and hire charges excluding betterment tax and building permission fee) will be transferred to a separate escrow account.

The salient features of the SPM are as follows:

i. Firstly, to build up a shortfall in the DSRA (at all times, the DSRA should be maintained as two succeeding coupon payments), interest payment account, and sinking fund account.
ii. Secondly, the transfer to an interest payment account (IPA) for half-yearly interest servicing and sinking fund account for the principal redemption, which will be funded monthly per the terms of bond issue and shortfall in earlier contributions.

The surplus funds, after meeting minimum monthly requirement in the escrow account can thereafter be transferred to IMC's general fund account. The structure stipulates total collection in the escrow account in financial year to be at least two times the amount of annual payments (coupon + principal amount). IMC is maintaining a DSRA equivalent to two half-yearly interest payment amounts for the existing bonds issued, in the form of fixed deposits (FDs), and is also creating sinking fund reserves for the payment of bonds.

IMC has availed term debt from banks which are also governed by an escrow mechanism with Octroi compensation from the state government being escrowed towards debt servicing obligation.

Focus on asset creation and cost-saving
The corporation's capex is mainly incurred for the development of civic amenities and infrastructure projects and has been steady over the years. IMC has been consistently incurring a capex of ~₹600-₹800 crore in the last few years, with capex-funded grants and borrowings, and its own surplus.

Comfortable financial position
IMC has a track record of fundraising from banks and financial institutions (FIs) for funding its capex plans and had an outstanding debt of ₹691 crore as on March 31, 2025. In FY25, IMC has availed a term loan of ~₹88 crore and proceeds of the loan were used for building the drainage network. While debt levels increased in the last five years, this has been complemented by growth in revenue surplus. This has enabled the corporation to maintain healthy coverage metrics with debt/surplus below 2x as on March 31, 2025. Debt service coverage ratio (DSCR) is also expected to remain comfortable for the projected period.

Key weaknesses

Lower own revenue source and moderate tax collection efficiency
IMC's own revenue in the form of property tax income, fees and user charges, and other non-tax revenue components comprise ~47% of overall revenue receipts in the last three years. The collection efficiency of tax revenue has also been moderate at ~60% in FY23-25 (60% in FY22-FY24). However, collection efficiency of tax revenue for the current fiscal year was satisfactory at 88% (83% in FY24).

A considerable share of RRs comprises Octroi compensation receipts from the state government, which alone forms 32% RR. The corporation receives the share of Octroi compensation per the budgetary allocations for ULBs by the state government (the approximate share of IMC has been ~10-12%). While the compensation is being received in a timely manner, susceptibility of revenue to delays in receipt and/or regulatory changes exists.

Liquidity: Adequate
IMC's liquidity position is adequate, with sufficient revenue surplus generation and maintenance of adequate cash and balances (~₹532 crore as on March 31, 2025), against debt repayment obligations of ₹192.20 crore in FY26. IMC has been maintaining a DSRA and a sinking fund in the form of FDs for outstanding bonds per the Debenture Trustee Deed.

Assumptions/Covenants

- DSRA of two semi-annual coupon payments have to be maintained.
- Total amounts collected in the escrow account in financial year will be at least two times the amount of annual payments (coupon + principal amount)
- Interest payment and principal repayment mechanism
- T = Bond payment date

Date	Event/ employed	Measures if a shortfall occurs
Interest Payment Account		
T-25	Trustees will check the amount in the Interest Payment Account	Intimate IMC to make good the shortfall in interest payment account 19 days prior to the interest payment date.
T-9	Trustees shall re-check the amount in interest Payment	Trustees will trigger the payment mechanism, and the bank will be instructed to transfer the shortfall amount from DSRA to the interest payment account eight days prior to the interest payment date. Withdrawal from DSRA should be deposited back into the account.
T	IMC shall pay interest on the due date	
Sinking fund		
T-45	Trustees shall check credit in sinking fund	Intimate IMC of shortfall and IMC shall make it good 15 days prior to the redemption date
T-14	Trustee shall issue a final notice	
T	IMC shall pay the redemption amount on the due date	

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
Urban Infrastructure Projects

About company and industry

Industry classification

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

IMC is the largest municipal corporation in Madhya Pradesh and is governed by the Madhya Pradesh Municipal Corporation Act, 1956 (amended from time to time). IMC covers an area of 530 square kilometre with a population of 19.94 lakh (Census 2011). The executive power of IMC is vested in the Municipal Commissioner, an Indian Administrative Service (IAS) officer appointed by the Government of Madhya Pradesh. IMC is responsible for the city's civic administration, maintaining infrastructure facilities, and providing civic services such as water supply, solid waste management, and sewerage among others to its citizens.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)
Reported revenue receipts	1,928	2,080
Reported revenue surplus	658	676
Revenue surplus**	411	413
Revenue surplus/Revenue receipts** (%)	24	23
Own revenue/Revenue receipts (%)	46	48

A: Audited
**Adjusted for incremental debtors and non-cash items
Note: these are latest available financial results

Status of non-cooperation with previous CRA:
Brickwork Ratings has continued the rating assigned to bank facilities of IMC as ISSUER NOT COOPERATING category vide press release dated October 09, 2025 considering 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
Debentures-Non-convertible debentures	INE00QS24019	February 20, 2023	8.25	February 20, 2026	61.00	CARE AA; Stable
Debentures-Non-convertible debentures	INE00QS24043	February 20, 2023	8.25	February 20, 2028	61.00	CARE AA; Stable
Debentures-Non-convertible debentures	INE00QS24027	February 20, 2023	8.25	February 20, 2030	61.00	CARE AA; Stable
Debentures-Non-convertible debentures	INE00QS24035	February 20, 2023	8.25	February 20, 2032	61.00	CARE AA; Stable
Issuer Rating	-	-	-	-	0.00	CARE AA; 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	Issuer Rating-Issuer Ratings	LT	0.00	CARE AA; Stable	-	1)CARE AA; Stable (04-Dec-24)	1)CARE AA; Stable (05-Dec-23)	1)CARE AA; Stable (26-Dec-22) 2)CARE AA (Is); Stable (07-Dec-22)
2	Debentures-Non Convertible Debentures	LT	244.00	CARE AA; Stable	-	1)CARE AA; Stable (04-Dec-24)	1)CARE AA; Stable (05-Dec-23)	1)CARE AA; Stable (07-Dec-22)

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	Debentures-Non Convertible Debentures	Simple
2	Issuer Rating-Issuer Ratings	Simple

Annexure-5: Lender details: Not applicable

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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