

## Greater Visakhapatnam Municipal Corporation

December 26, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Bonds#	60.00 (Reduced from 100.00)	CARE AA; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

#The Corporation had proposed bonds of ₹20 crore, which is not issued and hence reduced from rated bond amount

### Rationale and key rating drivers

Reaffirmation in the rating assigned to bonds issuance of Greater Visakhapatnam Municipal Corporation (GVMC) factors in Trustee-administered structured payment mechanism (SPM) for the bonds with escrow of designated revenue collections towards debt obligations of the entity, priority of debt servicing and stipulated reserves maintained in the form sinking fund and debt service reserve account (DSRA). The rating also derives comfort from 1.5x coverage (of bond issuance) stipulated in the SPM for the bond servicing and cashflows of GVMC adequately covering the same. GVMC has been maintaining the stipulated reserves of DSRA and sinking fund in the form of fixed deposits. The bond redemption has commenced with first tranche (₹20.00 crore) paid on December 19, 2025.

The rating continues to derive comfort from the corporation's healthy financial profile, supported by stable growth in receipts and consistent revenue surplus in the last few years. The corporation remains self-reliant, with ~86% of overall revenue receipts in FY25 (April 01 to March 31) coming from its own sources. In FY25, revenue receipts were broadly in line with FY24, despite a decline in assigned and non-tax revenue. Revenue receipts stood at ₹1,137 crore in FY25 compared to ₹1,153 crore in FY24. Despite the decline in revenue, the corporation's revenue surplus improved significantly to ₹284 crore from ₹106 crore, primarily due to lower operations and maintenance (O&M) expenses.

GVMC is the sole municipal corporation of Visakhapatnam, which is the largest city in Andhra Pradesh, and thus is of significant economic importance to the state. GVMC continues to benefit from the strong economic base of Visakhapatnam, comfortable debt coverage metrics and adequate liquidity position. GVMC has also availed additional debt of ₹498 crore for financing sewage collection network in Madhurawada region in Vizag. The project is expected to be a revenue generating project and thus not likely to moderate debt coverage metrics.

However, rating strengths are tempered by limited autonomy with dependence on the state government for reforms, high disputed receivables with resolution pending before the court and shortfalls in utility infrastructure.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Improvement in property tax collection to above 90% on a sustained basis.
- Growth in the size of the corporation with a sustained revenue surplus.

#### Negative factors

- De-growth in revenue surplus on a continuous basis.
- Significant increase in debt levels, impacting the liquidity profile.
- Non-adherence to the SPM per the term sheet and/or non-maintenance of the stipulated DSRA/sinking fund balances.

### Analytical approach:

Standalone, factoring comfort from the Trustee-monitored SPM for the bond issue, with escrow of designated revenue sources with priority towards debt servicing of bonds, creation of interest payment account and sinking fund account and DSRA provision for two semi-annual interest payments.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE Ratings Limited's publications.

**Outlook: Stable**

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

**Detailed description of key rating drivers:****Key strengths****Strong economic base and strategic importance of the city**

GVMC covers an area of 682 sq.km with a population of 17.30 lakh (per 2011 census). Being the municipal corporation of the largest city of Andhra Pradesh, GVMC is of strategic and economic importance to the state. Visakhapatnam has good infrastructure in place and has a strong track record in terms of coverage and service delivery and a high level of industrialisation with Visakhapatnam being a hub across industrial set-ups. The corporation has solid waste collection coverage at 100%, water supply coverage at 92%, stormwater coverage at 82%, and sewerage coverage at 91%. Though there are shortfalls in coverage of civic amenities provided by the corporation, it has been incurring capex for improvement.

**Trustee-administered SPM with priority for servicing of bonds**

GVMC has an SPM through the creation of an Escrow account of designated revenue collections, with priority for servicing bonds. Under the SPM, collections under the revenue heads of Property tax (50%), Vacant land tax and Bulk water supply charges for at least 1.5x the bond issue from all zones of GVMC shall be transferred to the separate escrow account (GVMC Bonds Escrow Collection Account) daily. The salient features of SPM are as follows –

- i. First, to build up the shortfall in the DSRA account (at all times DSRA should be maintained as 2x half-yearly interest payment).
- ii. Second, to transfer funds collected in the Escrow account to the debt service account (DSA), an amount equivalent to the defined monthly liability for servicing of debt, on the day of fulfilling of monthly liability (the interest payment liability is on a half-yearly basis). This includes the interest and debt redemption reserve (DRR) components.
- iii. Third, transfer to the interest service account for half-yearly interest servicing with the first interest payment amount to be equally transferred within the first five months, fully at T-30 days. For all future interest payments, 100% of the half-yearly interest amount is to be built up within the first six months (equally).
- iv. Then, transfer to debt redemption reserve (DRR) account monthly, an amount equivalent to 1/11th of the yearly 10% redemption amount of the total bond issue (redemption commences after six years of bond issue).

Surplus funds after meeting the minimum balance can thereafter be transferred to the GVMC General Fund account. The debenture trustee shall have a lien on the IPA, DSRA and SFA for the exclusive benefit of the bondholders. GVMC is maintaining DSRA equivalent to two half-yearly interest payment amounts, in the form of fixed deposits, which provides sufficient liquidity cushion and is also creating sinking fund reserves for the payment of bonds. First tranche of bond redemption has commenced from December 2025 with ₹20 crore bond redeemed.

**Self-reliant corporation with a high proportion of own revenue**

The corporation has reported consistent growth in revenue receipts in the last few years with gradual increase in property tax revenue. In FY25, adjusted revenue receipts (adjusted for incremental debtors) remained in line with previous year's (FY24) mainly due to decrease in assigned revenue and non-tax revenue. In FY25, revenue receipts were broadly in line with FY24, despite a decline in assigned and non-tax revenue. Revenue receipts stood at ₹1,137 crore in FY25 compared to ₹1,153 crore in FY24.

GVMC continues to be a self-reliant entity with ~86% of the revenue coming from its own sources in FY25 (FY24: 83%). The balance pertains to revenue share received from the state government, which mainly comprises a share in property registration charges shared with the state government.

The corporation reported a decline of 3% in revenue receipts from ₹504 crore in H1FY25 to ₹490 crore in H1FY26. However, overall financial performance continues to remain satisfactory.

**Consistent revenue surplus and satisfactory collection efficiency**

GVMC has been reporting a consistent revenue surplus over the years. The corporation reported an adjusted revenue surplus of ₹284 crore in FY25 against ₹105 crore in FY24. This was mainly led by reduction in operation and maintenance expenditure. Higher maintenance expenditures in FY24 were considering payment to the labour cost towards the contract workers for the G20 summit, which has been normalised in FY25.

Revenue surplus declined to ₹155 crore in H1FY26 from ₹184 crore in H1FY25, primarily due to a sharp fall in assigned revenue to ₹12 crore from ₹63 crore in H1FY25. Despite this decline, the surplus remains satisfactory.

Collection efficiency of the corporation is satisfactory with ~73% for the last three years (FY23-FY25).

### **Comfortable debt coverage metrics**

The corporation has been raising debt over the years to fund its capex plans while maintaining healthy coverage metrics. The debt level for the corporation stood at ₹150.75 crore as of March 31, 2025 (against ₹172.40 crore as of March 31, 2024), and sustained revenue surplus resulted in comfortable debt coverage metrics. Debt to revenue receipts were satisfactory at 13% for FY25. GVMC has been sanctioned debt of ₹498 crore by International Finance Corporation (IFC) for funding Madhurwada sewerage project. The corporation plans to avail the debt over 2-3 years. While debt levels have been increasing, it is augmented by growth in revenue surplus. The sewerage project is expected to be revenue generating, and thus, debt coverage metrics are expected to continue to remain satisfactory.

### **Sustained capital expenditure**

The corporation's capital expenditure, which is mainly incurred towards the development of civic amenities and infrastructure projects, has been fairly steady over the years. In the last few years, majority capital expenditure undertaken by the entity has been funded through a mix of the raising of debt, grants received and revenue surplus/available cash balance. The corporation is undertaking sewage project in Madhurwada region in Vizag. The total project cost of ₹553 crore is proposed to be funded through an IFC loan of ₹498 crore, Atal Mission for Rejuvenation and Urban Transformation (AMRUT 2.0) scheme of ₹45.64 crore, and GVMC's own resources of ₹9.36 crore. This apart, the corporation's overall capex has been in range of ₹500 crore to ₹700 crore in the last three years.

### **Key weaknesses**

#### **Limited autonomy with dependence on state government for reforms**

GVMC has limited autonomy in the implementation of reform with key decisions such as property tax revision implemented by the state government. The property taxes have been revised after over a decade in FY22. Before the revision in FY22, last revision was undertaken in 2003 for residential properties, and in 2007 for commercial properties. Implementation of tax reforms will be crucial for the corporation's sustenance.

#### **Long-pending disputed debtors**

The corporation has debtors aggregating ₹1108 crore as of March 31, 2025 (against ₹940 crore as of March 31, 2024). These majorly include the levy of property tax & vacant land tax and fees and user charges on vast land parcels/properties owned by the steel companies, particularly Rashtriya Ispat Nigam Limited (RINL). However, the corporation has not been able to recover the dues considering litigations with the matter pending in court for resolution. Per the Visakhapatnam Municipal Corporation Act, the entity cannot write off debtors, which resulted in the accumulation of debtors over the years.

#### **Liquidity: Strong**

GVMC's liquidity position remains strong, supported by an adequate revenue surplus and cash balance of ₹1,010 crore as on March 31, 2025. The corporation is expected to generate sufficient surplus to meet its debt servicing. GVMC maintains DSRA and sinking funds in the form of fixed deposits with State Bank of India for its bonds, which enhances financial flexibility and provides additional comfort.

#### **Assumptions/Covenants**

- Collection of 50% of Property tax, 100% Vacant land tax and Bulk water supply charges for at least 1.5x, the bond issue (provisioned for) from all zones of GVMC shall be transferred to the separate escrow account (GVMC Bonds Escrow Collection Account) on a daily basis.
- DSRA- 2 semi-annual coupon payments for bonds.
- Debt service coverage ratio (DSCR) on operating surplus: DSCR will not be less than 1.25x of operating surplus (total income – total expenditure + depreciation).

Interest payment and principal repayment mechanism

T = Bond payment date

Date	Event	Measure if a shortfall occurs
<b>Interest Payment Account</b>		
T-30	Trustees will check the amount in the Interest Payment Account which is to be equivalent to the interest payment amount.	Intimate GVMC to make good for the shortfall in interest payment account by T-23 days.
T-23	Trustees shall re-check the amount in interest Payment	Trustees will trigger payment mechanism and the bank will be instructed to transfer the shortfall amount from DSRA to the interest payment account within T-15 days Withdrawal from DSRA should be deposited back into the account within the next 21 working days. In the case of the use of DSRA for funding interest payments, all free collections from the designated accounts would flow into the escrow account till the deficit is fully funded.
T	Interest to be serviced	-

<b>Sinking fund</b>		
<b>T-30</b>	Trustees shall check credit in the sinking fund.	Intimate GVMC of the shortfall and GVMC shall make good the shortfall 15 days prior to the redemption date.
<b>T</b>	PMC shall repay the principal	

**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

GVMC was constituted as a municipality in 1858 and subsequently upgraded to a Corporation in 1979. It is governed by the Visakhapatnam Municipal Corporation Act of 1979. Till 2005, the corporation had a jurisdiction of 111 sq.km with a population of ~9.69 lakh per the 2001 census. The GoAP reconstituted the entity in 2005 by extending the jurisdiction and by merging the adjoining Gajuwaka Municipality and surrounding 32-gram panchayats to form GVMC. The area under GVMC has been divided into eight zones and 98 sub-zones or wards for administrative convenience. GVMC covers an area of 682 sq.km with a population of 17.30 lakh (2011).

Brief Financials (₹ crore)	FY24 (A)	FY25 (Prov.)	H1FY26\$ (UA)
Reported revenue receipts	1153	1137	490
Reported revenue surplus	273	452	155
Revenue surplus**	91	284	155
Revenue surplus/Revenue receipts (%)**	9	29	32
Own revenue/Revenue receipts (%)	83	86	97

A: Audited; Prov.: Provisional; UA: Unaudited; Note: these are latest available financial results

\*\*Adjusted for incremental debtors and excluding depreciation

\$On receipt basis.

**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	INE423G07051	December 21, 2018	10.00	December 21, 2028	60.00	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	Bonds	LT	60.00	CARE AA; Stable	-	1)CARE AA; Stable (27-Dec-24)	1)CARE AA; Stable (05-Jan-24)	1)CARE AA; Stable (25-Jan-23)

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

**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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