

Coimbatore City Municipal Corporation (Revised)

March 06, 2026

| Facilities/Instruments | Amount (₹ crore) | Rating ¹ | Rating Action |
|------------------------|------------------|---------------------|------------------------|
| Bonds | 120.00 | CARE AA; Stable | Final Rating Confirmed |
| Bonds | 30.88 | CARE AA; Stable | Final Rating Confirmed |

Details of instruments/facilities in Annexure-1.

| | |
|--|-----------|
| Rating in absence of pending steps/ documents | Withdrawn |
|--|-----------|

Rationale and key rating drivers

CARE Ratings Limited (CareEdge Ratings) confirms the rating assigned to the bond issuance of Coimbatore City Municipal Corporation (CCMC) following the submission of following documents:

- Transaction documents including debenture trust deed,
- Escrow agreement
- Final Information Memorandum
- Fixed Deposit statement

Ratings assigned to bonds of CCMC factor in the trustee-administered structured payment mechanism (SPM) for bonds through creation of an escrow account of designated revenue collections, with priority for servicing bonds, and stipulated reserves to be maintained in the form of debt service reserve account (DSRA), interest payment account (IPA), and sinking fund account (SFA). Ratings also take comfort from payment security guarantee fund (PSGF) of ₹12.40 crore, which can be used to replenish shortfall in the IPA/SFA. The PSGF is a non-lapsable fund created by the Government of Tamil Nadu (GoTN) to provide grants for implementing urban infrastructure projects in Tamil Nadu and is managed by Tamil Nadu Urban Infrastructure Financial Services Limited (TNUIFSL). This PSGF is lien marked and kept as a collateral in the form of security for bondholders for servicing bond in the tenure.

CCMC has borrowing in the form of bond issuance, and comfort is derived from the 2x coverage (of the annual debt servicing) stipulated in the SPM and cashflows of CCMC comfortably covering it.

Ratings also factor in the corporation's satisfactory financial profile with consistent growth in revenue receipts (RR) reported year-on-year, with strong collection efficiency and high own revenue share (77%). Led by increased property tax and service charges, CCMC's revenue receipts grew consistently in the last few years from ₹706 crore in FY21 (FY refers to April 01 to March 31) to ₹1,173 crore in FY24. In FY25, revenue receipts further increased by 22% to ₹1,435 crore, driven primarily by property tax revisions and higher non-tax revenue. As a major city in Tamil Nadu, Coimbatore serves as a key economic hub and a vital centre for textile and automotive industries, making it strategically important to the state. CCMC is the second-largest municipal corporation in Tamil Nadu and plays a significant role in the state's economy. This importance is reflected in the timely receipt of revenue and capital grants from the GoTN. Ratings also factor in the satisfactory service delivery track record parameters.

Ratings are constrained by CCMC's limited autonomy in levying taxes and dependence on state government grants for capital expenditure. The corporation experienced financial volatility, with a revenue deficit recorded in FY24 due to a one-time increase in operations and maintenance (O&M) charges. CCMC reported a surplus in FY25, and CareEdge Ratings expects the surplus to continue.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

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

Negative factors

- De-growth in revenue surplus on a sustained basis.
- Nonadherence to the SPM.
- Reduction in property tax coverage for bonds (defined as escrowed property tax/annual debt servicing including sinking fund) below 2x.
- Higher-than-envisioned debt level, impacting the liquidity profile.

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

Analytical approach: Standalone

Standalone, including trustee-monitored SPM involving escrow of property tax revenue with priority towards debt servicing of bonds, creation of IPA and SPA and DSRA provision for two semi-annual interest payments.

Outlook: Stable

CCMC is expected to maintain a comfortable financial profile with steady growth in revenue receipts and a consistent revenue surplus generation, and an adequate collection efficiency supporting liquidity profile.

Detailed description of key rating drivers:
Key strengths
Trustee-monitored SPM

CCMC would follow the SPM through creation of an escrow account of its designated property tax collection with priority for servicing of bonds. Under the SPM, collections under the property tax will be transferred to a separate escrow account. Salient features of the SPM include:

- i. 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. This includes interest and debt repayment components.
- ii. First, build-up shortfall in the DSRA account (at all times the DSRA should be maintained as two half-yearly interest payments).
- iii. Second, the IPA shall receive transfers in a structured manner, where half-yearly interest amount will be divided into five equal parts, with each part being transferred to the IPA every month for the first five months. Consequently, 20% of the half-yearly coupon payment, and additional interest payable per terms of the issuance and shortfall from previous contributions, shall be transferred to the IPA each month as follows:
 - o for the 1st half-year, from the 1st to the 5th month.
 - o for the 2nd half-year, from the 6th to the 10th month.
- iv. Third, transfer of funds to the SFA shall be done in a structured manner, with the total issue size of debentures (₹150.85 crore) divided into 10 equal parts of ₹15.085 crore, each to be transferred annually to the SFA over 10 years. In the event of shortfall in funds available in the escrow account to complete these transfers, the CCMC shall make good the deficit by transferring funds from other account(s) of the CCMC.
- v. Surplus funds after meeting minimum balance can thereafter be transferred to the CCMC general fund account.

Total amounts collected in the escrow account in financial year shall be at least 2x annual payments amount (coupon + principal amount to be deposited in the sinking fund). The strong property tax collections comfortably cover the stipulated covenant.

CCMC shall establish a separate no-lien escrow account, and all funds collected and/or pooled in the account(s) where the Property Tax (Revenue Fund), shall be transferred daily to the escrow account for debt servicing. The debenture trustee on behalf of debenture holders, shall have the first and exclusive charge over the escrow account and the account(s), where the Property Tax (Revenue Fund) revenues are collected and/or pooled by CCMC.

PSGF, a Grant Fund of GoTN and managed by TNUIFSL, shall create a term deposit in the name of PSGF equivalent to ₹12.40 crore with the Trustee Banker / Escrow Banker of the municipal bond issue of the Corporation as Credit Enhancement Facility under World Bank assisted Tamil Nadu Resilient Urban Development Program (TNCRUDEP) for the issuance of municipal bond ("PSGF Amount"). The Debenture Trustee (on behalf of bond holders) shall have First and Exclusive charge over the PSGF Amount term deposit created for this bond issue.

The SPM also stipulates T minus structure (T= bond payment date) for servicing of interest and principal repayment.

The amount deposited in the IPA (including the DSRA Amount) and SFA shall be used solely for meeting dues to Debenture Holders. Surplus in these account(s) after Debentures have been redeemed in full and dues to the Debenture Holders have been paid can be transferred to the escrow account after obtaining written consent of the Debenture Trustee: No amount can be withdrawn from these account(s) without approval of Debenture Trustee.

Satisfactory economic base

Coimbatore is the second-largest city in Tamil Nadu and the second-largest contributor to state GDP. CCMC's economic base is diverse and driven by textiles, manufacturing, IT, and trade. The city is a major textile hub, with over 25,000 industries. Apart from textiles, the city hosts several automobile and IT companies. Coimbatore also houses over 100,000 micro, small and medium

enterprises (MSMEs), supporting engineering, auto components, and pump manufacturing industries. The widespread industrial base offers strong revenue potential for the Corporation.

Satisfactory financial performance with high share of own revenue

CCMC has demonstrated satisfactory financial performance with a high share of own revenue. Revenue receipts grew at a compound annual growth rate (CAGR) of 15% in FY21–FY25, increasing from ₹706 crore in FY21 to ₹1,435 crore in FY25, supported by property tax revisions and improved collection efficiency. Tax revenue alone grew at a CAGR of 22% in the same period, and per GoTN's directive, property tax is expected to rise by 6% annually, providing visibility for continued growth. The corporation's own revenue share has remained strong at an average of ~74% in the last five years and stood at 77% in FY25 (69% in FY24), indicating lower dependence on grants. Own revenue primarily comprises property tax of ₹572 crore (40%), service fees and charges of ₹420 crore (29%), and other income of ₹115 crore (8%). CCMC reported an adjusted revenue surplus in FY21–FY25, except FY24, when a one-time spike in O&M expenses for underground drainage (UGD) restoration works led to a deficit. With the completion of the UGD project, O&M expenses declined by 8% to ₹676 crore in FY25 from ₹738 crore in FY24, resulting in a surplus of ₹231 crore in FY25. CareEdge Ratings expects revenue surplus to sustain in the medium term, supported by stable operating costs, annual property tax hikes, and continued economic activity in Coimbatore.

Strong collection efficiency

CCMC has maintained strong property tax collection efficiency, which stood at ~92% (including arrears for the last three years) in FY25, while current demand collection efficiency was 86% in the same year. This performance is supported by proactive measures such as drone surveys, GIS mapping, and incentives such as discounts for early payments. CareEdge Ratings expects these initiatives to sustain high collection efficiency in the medium term, aiding stable cash flows and reducing reliance on external funding.

Satisfactory operational track record with current focus on underground sewerage scheme

CCMC has maintained a satisfactory operational track record, meeting most service-level benchmarks, though scope for improvement remains. Sewerage coverage currently stands at ~83%, while solid waste management coverage is ~100%. Existing underground sewerage system covers ~75% of municipal limits. To enhance coverage, CCMC is undertaking capital expenditure under the AMRUT Scheme to extend the underground sewerage system to 14 wards added in FY18. The project is expected to be completed by mid-November 2025, post which CCMC's sewerage coverage is projected to reach 100%, significantly improving service delivery and operational efficiency.

Key weaknesses

Relatively high debt levels

CCMC's total debt stood at ₹752 crore as on March 31, 2025, primarily availed from Tamil Nadu Urban Finance and Infrastructure Development Corporation Limited (TUFIDCO) and Tamil Nadu Urban Development Fund (TNUDF) for infrastructure projects, with major focus on expanding and improving the underground sewerage system. Long debt tenor of 25 years supports debt servicing, and revenue growth has helped absorb the impact of debt-funded capex. The corporation's debt-to-revenue receipts ratio remains comfortable at 0.52x as on March 31, 2025. CCMC also proposes to raise ₹150.85 crore through bonds for the underground sewerage system (UGSS) project, with property tax coverage expected to remain comfortably above 2x for specified debt servicing. CareEdge Ratings expects the debt coverage position to remain adequate in the medium term, supported by stable revenue receipts and structured payment mechanisms.

Limited autonomy in levying taxes and dependence on state government for capex

CCMC has limited autonomy in levying and revising taxes, as major fiscal decisions are governed by the policy framework of GoTN. The Corporation's ability to introduce new taxes or revise existing rates, such as property tax or user charges, is subject to state-level approvals and guidelines, restricting flexibility to augment its revenue base in response to rising expenditure or inflationary pressures. Capital expenditure is largely funded through state government grants, indicating high dependence on GoTN for capex financing. CareEdge Ratings expects this structural limitation to persist in the medium term, making timely state support critical for sustaining infrastructure development.

Liquidity: Adequate

CCMC's liquidity position is adequate, supported by a revenue surplus and cash balances of ₹650 crore as on March 31, 2025, against loan repayments of ₹57 crore due in FY26. Repayment of the proposed bond will commence from the fourth year of the deemed date of allotment, providing near-term flexibility. CCMC is expected to maintain a DSRA and a sinking fund in the form of fixed deposits for the proposed bonds, further strengthening liquidity. For existing loans, repayments are met through State Finance Commission (SFC) grants and cashflows of the corporation. CareEdge Ratings expects CCMC's liquidity profile to remain comfortable in the medium term, aided by structured payment mechanisms and stable revenue receipts.

Assumptions/Covenants

- DSRA of two semi-annual coupon payments have to be maintained.
- Total tax amounts collected in the escrow account in financial year will be at least 2x amount of annual payments (coupon + principal amount).
- Interest payment and principal repayment mechanism

| Date | Event | Measure if a shortfall occurs |
|---------------------------------|--|---|
| Interest Payment Account | | |
| T-25 | Trustees will check the amount in the interest payment account. | Intimate CCMC to make good for the shortfall in the interest payment account 15 days before the coupon payment date. |
| T-14 | Trustees shall re-check the amount in interest payment account | Trustees will trigger the payment mechanism, and the bank will be instructed to utilise the PSGF amount to the extent of shortfall in the amount required to make the coupon payment prior to 10 days before the coupon payment date. |
| T-9 | Trustees shall re-check the amount in interest payment account | 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 before the coupon payment date. CCMC shall make good the DSRA Amount Shortfall within next 15 (Fifteen) days (T+8). |
| T | CCMC shall pay the interest on the due date. | - |
| Sinking Fund Account | | |
| T-45 | Trustees shall check credit in the sinking fund account | Intimate CCMC (and GoTN shall be informed by marking a copy to GoTN) of the shortfall and CCMC shall make good the shortfall before the date falling 15 days before the end of each 12-month block (T-15 days). |
| T-14 | Trustee shall trigger the payment mechanism and issue notice to the CCMC and inform Govt. of TN by marking a copy of the notice. | The Escrow banker is issued notice for blocking the collection of funds being received in escrow account till such time the shortfall is not met. In case of shortfall, the trustee shall trigger the payment mechanism and shall instruct the Escrow Bank to utilise the PSGF Amount to the extent of the shortfall on or prior to the date falling 10 (ten) days prior to the end of each 12 Month Block (T-10 days)*. |
| T-9 | Trustees shall re-check the amount in sinking fund account | If the shortfall continues to persist at nine (nine) days before the end of each 12-month block (T-9 days), the Trustee shall issue a final notice to the CCMC. Upon receipt of such notice, CCMC shall fund the shortfall in the Sinking Fund Account before the end of the 12-month block. |
| T | CCMC shall pay the redemption amount on the due date. | - |

*In the event of utilisation from the PSGF Amount, the Debenture Trustee would issue a notice in writing to the CCMC to replenish the same within 90 days from the date of utilisation. This arrangement shall continue till the bonds are paid in full to the Bond holders.

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 |

CCMC is the second-largest municipal corporation in Tamil Nadu and is governed by the Coimbatore City Municipal Corporation Act 1981 (amended from time to time). The origins of CCMC date back to 1866, when the Municipality of Coimbatore was established under the Town Improvements Act of 1865. In 1981, the municipality was elevated to a Municipal Corporation by merging with Singanullur Municipality. In 2011 and 2024, CCMC limits were expanded by merging nearby areas of Coimbatore and the area under the Municipal Corporation stood at 415 sq. Kms.

| Brief Financials (₹ crore) | FY24 (A) | FY25 (Prov) |
|--|----------|-------------|
| Reported revenue receipts | 1,173 | 1,435 |
| Reported revenue surplus [^] | 50 | 142 |
| Revenue surplus/deficit ^{**} | (78) | 231 |
| Revenue surplus/Revenue receipts (%) ^{**} | (7) | 15 |
| Own revenue/Revenue receipts (%) | 69 | 77 |

^{**}Adjusted for incremental debtors and excluding depreciation

A: Audited Prov: Provisional; 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 | INE207M24012 | 27-Jan-2026 | 8.29 | 27-Jan-2030 | 21.55 | CARE AA; Stable |
| Bonds | INE207M24020 | 27-Jan-2026 | 8.29 | 27-Jan-2031 | 9.33 | CARE AA; Stable |
| Bonds | INE207M24020 | 27-Jan-2026 | 8.29 | 27-Feb-2031 | 12.22 | CARE AA; Stable |
| Bonds | INE207M24061 | 27-Jan-2026 | 8.29 | 27-Jan-2032 | 21.55 | CARE AA; Stable |
| Bonds | INE207M24053 | 27-Jan-2026 | 8.29 | 27-Jan-2033 | 21.55 | CARE AA; Stable |
| Bonds | INE207M24046 | 27-Jan-2026 | 8.29 | 27-Jan-2034 | 21.55 | CARE AA; Stable |
| Bonds | INE207M24038 | 27-Jan-2026 | 8.29 | 27-Jan-2035 | 21.55 | CARE AA; Stable |
| Bonds | INE207M24079 | 27-Jan-2026 | 8.29 | 27-Jan-2036 | 21.55 | CARE AA; Stable |
| Bonds | Proposed | - | - | - | 0.03 | CARE AA; Stable |
| Rating in the absence of the pending steps/document | - | - | - | - | 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 | 120.00 | CARE AA; Stable | 1)Provisional CARE AA; Stable (06-Nov-25) | - | - | - |
| 2 | Bonds | LT | 30.88 | CARE AA; Stable | 1)Provisional CARE AA; Stable (06-Nov-25) | - | - | - |
| 3 | Rating in the absence of the pending steps/document | LT | - | - | 1) CARE A; Stable (06-Nov-25) | | | |

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/document | - |

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

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