

## Parbhani Municipal Corporation

April 3, 2019

### Ratings

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Rating Action
Issuer Rating	-	<b>CARE C (Is); Stable</b> <b>[Single C (Issuer Rating); Outlook: Stable]</b>	<b>Assigned</b>

*Details of instruments/facilities in Annexure-1*

*The rating is subject to existing outstanding debt level of Rs. 77.6 crores (including delayed fees)*

### Detailed Rationale & Key Rating Drivers

The rating assigned to Parbhani Municipal Corporation factors in the financial situation of the corporation. The corporation's fiscal position is strained with it incurring a revenue deficit in FY18(RE). It also has high debt liabilities, a sizeable part of which is on account of delayed fees towards the servicing of their debt obligations. The corporation's financial position has witnessed a moderation in FY18(RE), having moved into a revenue deficit following 2 years of revenue surplus, which was mainly on account of the corporation receiving a one-time salary grant. The tax revenues have seen a significant decline in the last 4 years (FY15-FY18(RE)). It was 54% lower in FY18 than that in FY15. The corporation has low collection efficiency and also faces shortfalls in civic infrastructure.

The corporation has been increasingly focusing on capital asset creation as capital outlay accounted for 55% of total expenditure and is seen to be fairly self-reliant with own revenues accounting for around 60% of total revenue receipts in FY18(RE). It also has a sizeable cash balance and investments in fixed deposits.

### Detailed description of the key rating drivers

#### Key Rating Strengths

**Focus on Capital asset creation:** The corporation has been seen to be focusing on capital asset creation. Capital outlay accounts for 55% of total expenditure as of FY18(RE). There has been an increase in the share of capital expenditure in total expenditure from 32% in FY15 to 55% in FY18(RE).

**Fairly self-reliant:** The corporation is seen to be fairly self-reliant with 60% of its revenues being accounted by its own sources in FY18.

**Cash balance and investments in fixed deposits:** The corporation had close to Rs 92 crs as investments in fixed deposits and cash balance of Rs 40 crs (as of Feb'18).

#### Key Rating Weaknesses

**Revenue deficit:** The Corporation has moved into a revenue deficit after being in surplus for the previous 2 years. The higher growth in revenue expenditure (39%) compared with growth in revenue receipts (8%) in FY18(RE), lower collection efficiency and decline revenue grants has led to the corporation incurring revenue deficit of Rs. 9.9 crs in FY18(RE).

**Low collection efficiency:** The collection efficiency of current demand raised and arrears of the various taxes has been low during FY16-FY18(RE)(below 50%).

**Cash based system of accounting:** The Corporation has not been maintaining a double entry based system of accounting as is stipulated by the National Municipal Accounting Standards.

**Shortfalls in civic infrastructure:** There exist shortfalls in civic infrastructure- low water supply and sewerage coverage and absence of storm water drainage.

**High debt levels:** The Corporation has high debt liabilities, at around 30% of its revenue receipts. The outstanding principal and interest (based on outstanding for different time periods) for 5 loans taken together is around Rs 21 crs. The corporation also has sizeable liabilities towards delayed fees aggregating Rs. 56.4 crs, which is more than double of

<sup>1</sup>Complete definition of the ratings assigned is available at [www.careratings.com](http://www.careratings.com) and other CARE publications.

outstanding principal and interest components. The corporation is liable to pay these delayed fees owing to non-payment of principal and interest liabilities.

**Analytical Approach:** Standalone

CARE Ratings has relied on the budget documents for FY15-FY18 (RE) provided by PMC.

**Applicable Criteria**

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[CARE's Issuer Rating](#)

[CARE's Methodology for Urban Infrastructure Projects](#)

**About the Corporation**

Parbhani is a city located in the Maratwada region of Maharashtra and is administered by the Parbhani Municipal Corporation. Parbhani Municipal Corporation came into being in 2012 prior to which it was a Municipality. The corporation has an elected civil governing body and the previous elections were held in April 2017. The city has 3 zones which have been further divided into 16 municipal wards. The city has around 72 slums and almost 60% of the total population in the city lives in slums.

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** N.A

**Rating History (Last three years):** Refer Annexure 2

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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**Annexure-1: Details of Instruments/Facilities**

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Issuer Rating-Issuer Ratings	-	-	-	0.00	CARE C (Is); Stable

**Annexure-2: Rating History of last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Issuer Rating-Issuer Ratings	Issuer rat	0.00	CARE C (Is); Stable	-	-	-	-

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