

Credit Assessment Report of Nagar Nigam Mathura

1. Scope

Infomerics Valuation And Rating Pvt. Ltd. (Infomerics) has undertaken a credit assessment study on Nagar Nigam Mathura (NNM) in order to assign an Issuer Rating as per the Mandate Agreement signed on December 9, 2016. Credit Assessment essentially refers to evaluation of creditworthiness of an entity after factoring inter alia its quality of management, the segment in which it is operating, its span of operations, financial strength and future outlook. For this purpose, Infomerics has relied on Audited Accounts for Financial Year 2014-2016 alongwith the supporting Schedules, Budget Estimate for FY2017 and various operational & project details furnished by NNM and the clarifications obtained from NNM.

2. Background

Nagar Nigam Mathura (NNM) is an Urban Local Body in the Mathura District of Uttar Pradesh. There are various categories of ULBs in Uttar Pradesh and NNM is classified as a 'Nagar Nigam'. It was constituted as per the Constitutional provisions of India.

Mathura is the birthplace of Lord Krishna and also called as Shri Krishna Janma-Bhoomi. It is one of the seven cities (SaptaPuri) considered holy by Hindus. Mathura is a city in the North Indian state of Uttar Pradesh. It is located approximately 50 km north of Agra and 145 km south-east of Delhi. It is the administrative centre of Mathura District of Uttar Pradesh.

Mathura Refinery located in the city is one of the largest oil refineries of Asia with 8.0 MMTPA refining capacity. Textile printing industry that includes both sari-printing and fabric dyeing and silver ornaments manufacturing are major industrial contributors to the region.

3. Management & Administration

The election to the NNM is conducted by the State Election Commission. The electoral roll for every ward is prepared under the superintendence and direction of State Election Commission. At present, NNM is divided into 70 wards for which elections are held once in every five years.

NNM is governed by a Mayor-in-council which works under the strictures of the Uttar Pradesh Municipalities Act, 1916. The Mayor-in-council is headed by the mayor who works along with a member of councilors representing the wards. Currently, NNM does not have any mayor. Therefore, the entire operations handled by the Commissioner who is the executive head of NNM.

Shri Ujjwal Kumar is the current Commissioner of NNM. Being the administrative head, he brings with him the rich administrative experience to execute the day-to-day works and functioning of the NNM. He is assisted by a team of experienced officials.

4. Population

As per census 2011, the population of NNM is 3.50 Lakh. The birth rate, death rate and infant mortality rate have declined over the last few years. In NNM, Female Sex Ratio is of 862 against the state average of 912. The literacy rate of Mathura is 74.97%, being higher than the state average of 67.68%. As per census 2011, the break-up of population in various categories are as below.

Particulars	Nos. in Lakhs	% of total population
Total Population	3,49,909	100
Male Population	1,87,899	53.70
Female Population	1,62,010	46.30
Literate Population	2,29,061	65.46
Male Literacy	1,30,336	69.36
Female Literacy	98,725	60.94

5. Operation

NNM is involved in a gamut of activities such as water supply, sewerage disposal, street lighting, health & sanitation, roads & bridges and horticulture. NNM gets the grants from GOI and State government under AMRUT Mission for development activities such as improvement in water supply services, sewerage system and green spaces.

Brief overview on the various operations of NNM is mentioned below.

Augmentation of City Water Supply Scheme

NNM's source of water supply is underground water and surface water. NNM has total capacity of 34.0 Millions of liters per day (MLD). The total storage capacity is 47 MLD. There are total ten zones for water supply to the city. The water is being supplied to consumers through direct pumping as well as elevated reservoirs. The total road length is 645.95 km, out of which water

supply distribution network is covered up to 339.22 km and the remaining 306.73 km will be covered by FY2021. The water related project planning & designing and construction activities are undertaken by UP Jal Nigam. Operations & maintenance is undertaken by NNM for which they hire labour locally. NNM has not conducted any assessment related to Non-Revenue Water (NRW). NNM has focused on minimizing NRW by regularizing unregistered water connections, to increase collection efficiency and introduce metering systems for billing under Atal Mission for Rejuvenation and Urban Transformation (AMRUT) scheme. The present status of water supply service level is summarised below:-

Sr. No.	Indicators	Present Status	MOUD Benchmark
1	Coverage of water supply connections	59.35%	100%
2	Per capita supply of water	126 LPCD	135 LPCD
3	Extent of metering of water connections	0%	100%
4	Extent of non-revenue water	35.0%	20%
6	Quality of water supplied	90%	100%
7	Cost recovery in water supply services	0%	100%
8	Efficiency in collection of water supply related charges	90.0%	90%

*LPCD – Litre per capita per Day

*MOUD – Ministry of Urban Development

Water Project under AMRUT Scheme

NNM has project plan for improvement in the water service level over the present scenario.

Objective	Project cost (Rs. in crores)
To achieve the universal coverage	94.67
To increase storage capacity	10.12
To make system efficient by reduction	24.40
Efficiency of charges collection	15.10
Total Project Cost	144.29

The project cost will be funded to the extent of 50% by Government of India under AMRUT scheme and remaining 50% by UP state government.

Sewerage Facility

NNM's sewerage system is poor in terms of coverage and services. At present, sewerage and drainage systems are intermixed with each other. At present, 88 km sewer line is present in the city. There is no decentralized waste treatment system in the city. NNM will explore the decentralised treatment plant in future. 92% of the people are agreed to construction of individual & community latrines and periodically cleaning by suction machine. Present status of sewerage network and service level NNM depicted below.

Sr. No.	Indicators	Existing service level (%)	MOUD Benchmark (%)
1	Coverage of latrines (individual or community)	97.00	100
2	Coverage of sewerage network services	13.64	100
3	Efficiency of collection of sewerage	13.00	100
4	Efficiency in treatment: Adequacy of sewerage treatment capacity	80.00	100

Demand gap assessment

Sr. No.	Project Name	Year of implementation (Projected)	Year of completion (Projected)	Project cost (Rs crores)
1	Connection of 21200 HH	2017	2019	42.40
2	Coverage of sewerage network line	2017	2019	625.82
3	Construction of 7 new pumping station	2017	2019	66.14
4	Provision for land cost, services, power connection	2017	2019	46.68
Total Project Cost				781.04

Total project cost is Rs.781.04 crore. The project cost will be funded to the extent of 50% by GOI under AMRUT scheme and remaining 50% by UP state government.

Green Spaces and Parks

There are total 56 parks in the city out of which 46 parks have only boundary walls, but none of these parks are well developed and also does not have any aesthetic component. There is a lack of basic amenities and green cover in these parks. Development of parks have been shortlisted after considering two factors such as useful to maximum people and minimum development cost. Redevelopment includes providing facilities like children friendly equipment, landscaping, development of sitting area, pathways, lights/lamps, boundary walls and beautification through fountains in existing parks. The city plans to make special provisions for installing children friendly component in these parks as per AMRUT guidelines. Total project cost Rs.2.47 crores which will be funded to the extent of 50% by GOI under AMRUT scheme and remaining 50% by UP state government.

Public Works Department

Public Works Department of NNM supervises various street construction and repairing related functions within its municipal area. The main focus is on construction & repairing of streets & lanes, patch repairing & filling of pits, repairing of footpaths, maintenance of streets, construction & repairing of parks and construction and repairing & maintenance of drains.

Street Lights

NNM supervises various street light construction and repairing activities within its jurisdiction. NNM has focused on the installation of high masts on all major traffic junctions. It is a key responsibility of NNM to provide street lights on all roads within its jurisdiction. The operation & maintenance of street lighting is taken care by NNM.

Public health department

Public Health Department of the NNM is responsible for providing clean and healthy environment to its citizen for maintaining proper health and sanitation conditions within its jurisdiction. Major responsibilities of public health department are as follows.

- Cleaning of public streets and drains.
- Utilizing effective preventive and control measures against contagious/infectious diseases.
- Issue license under Food Adulteration Impediment Act.
- Controlling the places allotted for disposal of dead bodies.
- Supply of clean drinking water in parks and for individual and commercial purpose.

Road construction

Road construction department of NNM is supposed to focus on the construction of roads and bridges in their defined area.

Sanitation and cleaners

Sanitation is an important aspect of any city/town for maintenance of proper public health in the city/town. NNM is responsible for maintaining proper cleaning and sanitation conditions within its jurisdiction. NNM is also responsible for collection and dumping of all kinds of solid waste that is generated within its municipal area. NNM is involved in sweeping streets, collecting solid waste from households and transporting it to the dumping yard.

Solid Waste Management

NNM is carrying out Solid Waste Management in their municipal area with the objective to ensure prevention of diseases and control of pollution. Solid Waste Management mainly involves collecting, treating, and disposing of solid material that is discarded. Improper disposal of municipal solid waste can create unhygienic conditions, which in turn, can lead to pollution in the environment and can cause outbreaks of vector-borne disease.

Government Schemes

NNM is likely to obtain grants from the Government of India under the AMRUT and Swachh Bharat Abhiyaan. Brief details of this mission is enumerated below:

A. Amrut Mission

The main aim of the AMRUT Mission is to provide basic amenities like water supply, sewerage, urban transport, etc. to households and build amenities in cities that can enhance the quality of life for all, especially poor and disadvantaged people as national priority. The core elements of the AMRUT mission lies in providing the basic amenities to the citizens which includes proper supply of water, sewerage facility, septage, storm water drainage, urban transport, enhancing amenity value of cities by creating and upgrading green spaces, parks and recreation centres, especially for children, power to everyone, health facilities to citizen and education to all.

B. Swachh Bharat Abhiyan

As the population in India is increasing rapidly with each passing year, basic sanitation and sewage facilities seem insufficient to support this huge population. Apparently, weak sanitation and untreated sewage are believed to have caused various health problems as well as water pollution.

Tax Department

Tax Department of NNM mainly carries out registration, levy and other tax related activities within their jurisdiction. Major responsibilities of Tax Division are:

- Preparation of demand registers for taxes, inviting objections, levy and collection of tax from all properties coming under municipal area.
- In case of non-payment of taxes, confiscate and auction the property coming under local bodies' municipal area.
- Collection of water charges from citizens of their municipal area.
- Assessment and collection of tax from new properties.
- Levy and collection of water charges within its Municipal area.

Tax collection

NNM has various tax categories. The tax slab remains the same for the last three years. The details of tax rate depicted below.

Sr. No.	Particulars	Tax Rates (%)
1	House Tax	7.50
2	Water Tax	15.00

3	Entertainment Tax	Rs.10 per show
4	Immovable Property Tax	2.00
5	Jal Mulya	Rs.72*

* Jal Mulya is charged to residential and commercial is the same for both users.

Government Grants

The basis/underlying criteria for grants are as follows.

A. Grants under 13th Finance Commission – It is provided by GOI for development of infrastructure relating to various civic services like Road & Pavements, Sewerage & Drainage, Bridges & Flyover and Street light post.

B. Grants under Awasthapana Nidhi – This grant is provided by GOI and is mainly used for residential development of local sewerage, concrete road in local streets, maintenance of street light, repair & maintenance and developments of public utilities in different areas. 13th Finance and Awasthapana Nidhi grants are the specific grants and only used for the purpose for which they are earmarked.

C. Grants from State Government under State Finance Commission – This is a general purpose grant and used for establishment expenses like salary, pension, other employee benefits and development of unspecified infrastructure projects. Grants are provided on the basis of requisition made by Nagar Palika Parishad, based on estimated budget expenses for the year reduced by the unutilized amount of grants of previous year.

Sources and allocation of Government Grant

NNM receives revenue grants for various activities from UP state government. This grant is being spent on the operational activities. Grants received for the last three years is summarised below.

(Rs in crore)			
Year	2014	2015	2016
UP State Government	57.49	61.80	55.74
Total Grant	57.49	61.80	55.74

6. Financial Analysis

Revenue and Expenses

(Rs in crore)				
For the year ended/ As on March 31,	2013	2014	2015	2016
Tax Revenue	5.06	4.76	4.97	3.47
Property tax	1.47	1.49	1.49	1.65
Other Municipal Taxes	3.60	3.28	3.48	1.82

Non-tax Revenues	37.02	59.19	64.39	61.26
Government Grant	35.45	57.49	61.80	55.74
Other Receipts	1.57	1.70	2.59	5.52
Total Revenues (A)	42.08	63.95	69.36	64.72
Expenditure				
Administration, Secretary & Finance	24.07	27.29	29.49	37.13
Finance & Bank charges	0.01	0.01	0.00	0.00
Depreciation	1.21	1.04	1.36	1.29
Operation and Maintenance	9.70	13.03	18.36	34.90
Total Expenditure (B)	34.99	41.37	49.22	73.31
Surplus/(Deficit) (A-B)	7.09	22.58	20.14	-8.59

Balance Sheet

(Rs in crore)

For the year ended/ As on March 31,	2013	2014	2015	2016
Fixed Assets				
Fixed Assets (gross)	1382.58	1384.40	1389.93	1394.67
Less: Provision for Depreciation	4.46	5.51	6.87	8.15
Fixed Assets (net)	1378.12	1378.90	1383.07	1386.52
Investments (unquoted)	0.00	0.00	0.00	0.00
Current Assets				
Inventories	0.38	0.46	0.88	0.45
Receivables	7.07	6.63	6.59	6.71
Cash & Bank Balances (including fixed deposit)	10.35	32.50	48.09	36.43
Other Assets	0.20	0.17	0.06	0.17
Total Assets	1396.11	1418.65	1438.69	1430.27
Networth	1394.65	1417.24	1437.32	1428.73
Capital Fund/Municipal general fund (gross)	1393.52	1416.10	1436.19	1427.60
Less: Value of Roads and Footpaths	0.00	0.00	0.00	0.00
Capital Fund (net)	1393.52	1416.10	1436.19	1427.60
General Reserves	1.14	1.14	1.14	1.14
Loans	0.00	0.00	0.00	0.00
Current Liabilities & Provisions	1.45	1.41	1.36	1.54
Provisions	0.01	0.03	0.01	0.00
Other Liabilities	0.38	0.46	0.54	0.73
Miscellaneous Deposits	1.06	0.92	0.81	0.80
Total Liabilities	1396.11	1418.65	1438.69	1430.27

Ratio Analysis

Ratios	FY13	FY14	FY15	FY16
Receipts / Expenditure (%)	120.3	154.6	140.9	88.3
Deficit / Receipts (%)	16.9	35.3	29.0	-13.3
Debt / Receipts (%)	0.0	0.0	0.0	0.0
Govt. Grants / Receipts (%)	84.2	89.9	89.1	86.1

OTR / Receipts (%)	12.0	7.4	7.2	5.4
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OTR- Own Tax Revenue

- The non-tax revenue is the major source of revenue for NNM. It contributes over 90% of total revenue across all the years. The non-tax revenue comprises Government Grant and Other Receipts. In spite of government grant, NNM posted revenue deficit in FY16.
- The other component of non-tax receipts is rental income & user charges.
- Total revenue declined in FY16 on account of decrease in government grant. On the other side, expenditure increased by 50% in FY16. Total expenditure increased during FY16 mainly on account of higher salary payments as mandated by the State Finance Commission and higher operation and maintenance activities. Infomerics has not obtained satisfactory explanation for operation and maintenance expenses from NNM.
- NNM' Own Tax Revenue/Receipts is abysmally low at 5.36% for FY16. NNM needs to widen & improve civic services to enhance the revenue receipts.
- The cash and bank balances declined from Rs.48.1 crs as on March 31, 2015 to Rs.36.4 crs as on March 31, 2016 due to amounts spent in relation to various development activities under AMRUT Mission.
- NNM requires more investment in developmental activities (urbanization, improving & widening basic facilities) to increase the revenue net by way of higher user charges.
- NNM currently has nil debt on its books. This is a key credit positive for the ULB.
- The imposition of GST is not expected to have any significant impact on the NNM.
- The gross fixed assets of Rs.1394.7 crs includes land of Rs.1340 crs as on March 31, 2016.

7. UP State Financial Snapshot

(Rs. Crores)

Uttar Pradesh	FY13	FY14	FY15	FY16
Net State Domestic Price at Factor Cost	690774.6	760541.6	861054.1	N.A.
Gross fiscal deficit	19240.0	23680.0	28380.0	31560.0
Revenue surplus	5180	10070	32410	34120
Gross fiscal deficit/NSDP at factor cost	2.79	3.11	3.30	N.A.
Revenue surplus/NSDP at factor cost	0.75	1.32	3.76	N.A.

Combined state governments	FY13	FY14	FY15	FY16
Revenue surplus (Deficit)/NSDP	0.20	-0.09	-0.15	0.40
Fiscal Deficit/NSDP	1.96	2.20	2.93	2.46

Source: RBI

- The key financial indicators of Uttar Pradesh are comparable to the indicators of combined Indian state governments.

8. Budget Estimate Analysis FY2017

NNM has submitted the Budget Estimate (BE) figures pertaining to revenue & expenses for FY17 which are mostly way above the FY16 actual figures. The related parameters for FY17 Budget Estimates and corresponding figures of FY16 (Actual) are furnished below:

(Rs in crs)		
For the year ended/ As on March 31,	2016 (Audited)	2017 (Budget Estimates)
Tax Revenue and other receipts	8.98	10.11
Government Grant	55.74	69.48
Total Revenue (A)	64.72	79.59
Total Expenditure (B)	73.31	79.38
Surplus/(Deficit) (A-B)	-8.59	0.21

NNM has projected to earn a revenue of Rs.79.59 crore in FY17 through substantial increase in government grant to complete various government schemes under Amrut Mission. There are various ongoing projects under “Amrut Mission” such as improvement in water supply services, sewerage system and green spaces within its jurisdiction. Expenses are also projected to go up. However, overall there would be a marginal surplus of around Rs.0.21 crs.

9. KEY RATING FACTORS

Strengths

- Characterised by zero debt
- Moderate liquidity level
- Enabling legislative framework

Weaknesses

- Moderate economic base
- High dependence on government grants
- Weak development activities
- Greater density of wards leading to higher overhead costs
- Deficit position in FY16

Rating Sensitivities

- Increasing level of urbanization.
- Enhancing & widening of civic services to expand revenue base
- Reducing dependence on government grant.
- Timely receipt of government grant.

Sr. No.	Parameter	Sub-Parameter	Sub Scores (0-5)	Mother Score	Comments
1	Management & Administration			4.50	Average management and administration structure
		Political Structure	5.00		
		Organisation Structure	4.00		
2	Operations			2.11	Weak operational level; lack of adequate capex
		Water Supply	3.00		
		Drainage & Sewerage	4.00		
		Street Lighting	4.00		
		Health & Sanitation	4.00		
		Community Centres	0.00		
		Swachh Bharat Abhiyaan	4.00		
		Fire & Emergency Services	0.00		
		Rehabilitation	0.00		
		Education	0.00		
3	Financials			2.07	Weak Financials
		Level of Deficits	2.00		
		Deficit / NSDP	0.00		
		Receipts / Expenditure	3.00		
		Deficit / Receipts	3.00		
		Liquidity Comfort	3.00		
		Government Grants / Receipts	3.00		
		Own Tax Revenue / Receipts	0.50		
4	Debt Management			7.00	Current zero debt position
		Debt	7.00		
		Debt / Receipts	7.00		
		Interest Payment / Revenue Recd	7.00		
5	State Finances			5.00	Average state finances
		Gross fiscal deficit / NSDP	5.00		
		Revenue Surplus / NSDP	5.00		
6	Economy & Demography			2.38	Weak economy & demography
		NSDP growth rate	0.00		
		Gender ratio	3.50		
		% of working population	3.00		
		Political & Quasi-economic stability	3.00		
7	Legal Issues		Not Available		
		Current delays / defaults in debt repayments			
		Material suits filed against the entity			
	Sum			23.06	
	Average Score			0.38	BB-

Infomerics Valuation and Rating Pvt Ltd

RATIONALE

INFOMERICS assigns Issuer Rating of IVR BB- (Is) with Stable Outlook to Nagar Nigam, Mathura.

Rating & Definition

Infomerics Valuation and Rating Pvt. Ltd. has assigned an issuer rating of **IVR BB- (Is) / Stable Outlook [pronounced IVR double B minus (IS) with Stable Outlook]** to **Nagar Nigam Mathura (NNM)**. Issuers with this rating are considered to offer moderate risk of default regarding timely servicing of financial obligations.

Rating Rationale

The rating takes into consideration moderate economic base, high dependence on government grants, weak development activities, greater density of wards leading to higher overhead costs and deficit position in FY16. However, the rating derives comfort from zero borrowing of NNM for the last four years, moderate liquidity level and enabling legislative framework. Increasing level of urbanisation, enhancing & widening of civic services to expand revenue base, reducing dependence on government grants and timely receipt of government grant are the key rating sensitivities.

Background of NNM

Mathura is the birthplace of Lord Krishna and also called as Shri Krishna Janma-Bhoomi. It is one of the seven cities (SaptaPuri) considered holy by Hindus. Mathura is a city in the North Indian state of Uttar Pradesh. It is located approximately 50 km north of Agra and 145 km south-east of Delhi. It is the administrative centre of Mathura District of Uttar Pradesh. Mathura Refinery located in the city is one of the largest oil refineries of Asia with 8.0 MMTPA refining capacity. Textile printing industry that includes both sari-printing and fabric dyeing and silver ornaments manufacturing are major industrial contributors to the region.

Risk Assessment

Characterised by zero debt

Infomerics Valuation and Rating Pvt Ltd

NNM has not taken any debt. This is a key credit positive for the entity.

Moderate liquidity level

NNM has sizeable amount of cash balances which is around Rs.36.43 crores as on March 31, 2016. This indicates moderate liquidity for NNM.

Enabling legislative framework

NNM is governed by the Uttar Pradesh Municipalities Act, 1916. This Act provides powers to NNM in levying and collection of taxes.

Moderate economic base

NNM is characterised by moderate population level and moderate industrial base. These constrain the revenue earning capacity.

High dependence on government grants

Government grants form a significant portion of revenue receipts (over of 80%), which is entirely from State Government. This trend has been continuing for the last four years.

Weak development activities

NNM is characterised by a low level of asset creation and weak basic service level (nil metering of water connections and 13.6% sewerage network). This acts as a hindrance on its revenue earning capacity.

Greater density of wards leading to higher overhead costs

The number of wards as compared to population is high in NNM. This leads to higher overhead costs.

Deficit position in FY16

NNM posted revenue surplus between FY13-15. However, it posted revenue deficit of Rs.8.59 crs. in FY16 inspite of the state government grant of Rs.55.74 crs.

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Infomerics Valuation and Rating Pvt Ltd

Financial Snapshot

For the year ended/ As on March 31,	2013	2014	2015	2016
Tax Revenue	5.06	4.76	4.97	3.47
Non-tax Revenue	37.02	59.19	64.39	61.26
Total Revenues (A)	42.08	63.95	69.36	64.72
Total Expenditure (B)	34.99	41.37	49.22	73.31
Surplus/(Deficit) (A-B)	7.09	22.58	20.14	-8.59
Tangible Networth	1393.52	1416.10	1436.19	1427.60
Net Fixed Assets	1378.12	1378.90	1383.07	1386.52
Ratios				
Receipts / Expenditure (%)	120.3	154.6	140.9	88.3
Surplus (Deficit) / Receipts (%)	16.9	35.3	29.0	(13.3)
Debt / Receipts (%)	0.0	0.0	0.0	0.0
Govt. Grants / Receipts (%)	84.2	89.9	89.1	86.1
OTR / Receipts (%)	12.0	7.4	7.2	5.4

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.