

RAIPUR MUNICIPAL CORPORATION

Issuer Rating

CARE BBB (Is)

Rating

CARE has assigned an issuer rating of 'CARE BBB (Is)' [Triple B (Issuer Rating)] to Raipur Municipal Corporation (RMC). The rating is only an opinion on the general creditworthiness of the entity and not specific to any particular debt instrument. Issuers with this rating are considered to offer moderate safety for timely servicing of debt obligations. Such issuers carry moderate credit risk.

Rationale

The rating takes into account the importance of Raipur as the state capital and chief beneficiary of the growth process in the state. The rating considers the improving levels of financial self-reliance, improving financial flexibility, recent improvement in revenue balance position, low debt to revenue receipts ratio and high capital intensity of expenditure of Raipur Municipal Corporation (RMC). The rating is however constrained by fluctuations witnessed in the operating surplus in the past, indications of some slackening in maintenance expenditure and key lacunae underlining the administrative system including shortage of key technical personnel and withdrawal of state designated local fund audit officials from FY09. The rating also considers the diverse project experience of the corporation as an important stakeholder in state backed projects and certain proactive initiatives taken up with regard to Public Private Partnerships (PPP).

Economic base:

The economic base underlining Raipur Municipal Corporation's (RMC) revenues presents the picture of a tertiary led economy with a weak manufacturing base. Especially since the formation of Chattisgarh state and the designation of the city as the state capital has contributed to rapid economic growth in the past seven years and has consequently resulted in a rapid rise in property assessments within the corporation area. While collection efficiency remains high the lack of periodic revision of guidance values and some evidence of

slackening of the collection system in recent years have significantly constrained the translation of economic growth into municipal revenues.

Revenue profile:

RMC has witnessed an increasing level of financial self-reliance in recent years. However this has not corresponded to a corresponding robust growth in revenue receipts due to a substantial fall in the level of revenue support available from the state government and a tepid growth in assigned revenues.

Financial flexibility:

Some prudence in expenditure management can be discerned by the improving levels of financial flexibility. The proportion of revenue receipts going towards establishment expenses has improved from 53% in FY03 to 31% in FY07. Interest expense growth has also been significantly constrained resulting in an improving Interest to Revenue Receipt ratio.

Surplus/Deficit profile:

RMC has exhibited a fluctuating operating balance level which along with a relatively slower growth in capital receipts has constrained the sustainability of rapid asset formation of the corporation. Despite the same, the capital intensity of expenditure remains high due to the

Financial Summary

| | Rs crore | | | | |
|-----------------------------|----------|------|------|------|------|
| | FY03 | FY04 | FY05 | FY06 | FY07 |
| Revenue Receipts | 57 | 41 | 48 | 61 | 64 |
| Revenue Expenditure | 45 | 40 | 49 | 39 | 37 |
| Revenue surplus/(Deficit) | 12 | 1 | (1) | 23 | 27 |
| Capital receipts | 21 | 26 | 39 | 39 | 35 |
| Capital expenditure | 27 | 39 | 34 | 38 | 75 |
| Capital surplus/(Deficit) | (7) | (13) | 5 | 1 | (39) |
| Budgetary surplus/(Deficit) | 5 | (12) | 4 | 24 | (12) |

importance of the city in state backed urban development and infrastructure projects.

The overall gearing of the corporation remains low resulting in comfortable debt and debt servicing ratios. However all loans are routed through the state government and the servicing requirements consequently cut from state devolved funds. The tracking of these cuts is good at the ULB level, though the lack of a direct interface with the lender does constrain a conclusion on the debt management capabilities of the corporation.

Management and Administration:

Key lacunae underlining the management and administration include shortage of some key

personnel, presence of unfunded pension liabilities and the withdrawal of state designated local funds audit officials from FY09. On the positive side proactive initiatives have been seen in the arena of projects implemented on a public-private partnership basis and some degree of transparency due to detailed monthly review reports.

Project execution abilities:

As the urban local body having jurisdiction over the state capital, Raipur Municipal Corporation (RMC) has been the primary implementing agency for a slew of state backed infrastructure and development projects which has given RMC a diverse project experience. The proposed ramp up of capex envisaged under JNNURM is also modest at around 5 times.

For Further details please contact at :

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