



Press Release
INDORE MUNICIPAL CORPORATION
July 04, 2025
Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	87.80	ACUITE AA Stable Assigned	-
Bank Loan Ratings	320.00	ACUITE AA Stable Reaffirmed	-
Non Convertible Debentures (NCD)	170.00	ACUITE AA Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	577.80	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE AA**' (**read as ACUITE Double A**) on the Rs. 170.00 crore Secured Redeemable Non-Convertible Debentures of Indore Municipal Corporation (IMC). The outlook is '**Stable**'.

Acuite has assigned a long term rating of '**ACUITE AA**' (**read as ACUITE Double A**) on the Rs. 87.80 crore bank facilities of Indore Municipal Corporation (IMC). The outlook is '**Stable**'.

Further, Acuite has reaffirmed the long-term rating of '**ACUITE AA**' (**read as ACUITE Double A**) on the Rs. 320.00 crore long-term bank facilities of Indore Municipal Corporation (IMC). The outlook is '**Stable**'.

Rationale for Rating

The rating reflects the presence of an Escrow Account, a Structured Payment Mechanism, and Debt Service Reserve Account (DSRA) covering one year of interest obligations for the rated NCDs and Term Loan. The rating also factors in the entity's stable operating margins albeit moderation in PAT margins due to higher depreciation costs incurred during FY24. Additionally, the rating factors in the company's demonstrated capability, as evidenced by its successful investment raise through Green Bonds for a 60MW solar plant in Madhya Pradesh, intended for captive consumption. The entire state stands to benefit from this green initiative over the long term. Moreover, the rating draws comfort from Indore's position as a prominent industrial and educational hub in Madhya Pradesh, ongoing support from both state and central governments for the city's development, stable revenue streams, and healthy cash surplus. Nonetheless, the rating remains constrained by IMC's elevated receivable levels. That said, IMC has initiated provisions for a portion of these overdue receivables, with plans to continue maintaining such provisions going forward.

About the Company

Constituted in 1818, Indore Municipal Corporation (IMC) is one of the oldest municipal corporations in India. It services an area of 274 square kilometres, inhabited by around thirty lakh people. The corporation provides key obligatory services such as roads and bridges, water supply and sanitation, drainage and sewerage, public health, solid waste management, and primary education. It also offers discretionary services such as public transportation.

Unsupported Rating

ACUITE A+/Stable

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of IMC to arrive at this rating. Acuite has also factored in the benefits derived from the structured payment mechanism and DSRA for arriving at the rating of

these NCDs.

Strengths

Strong Commercial & Economical base of Indore

With its ability to attract investments from a wide range of industries, Indore has established itself as the commercial capital of Madhya Pradesh. The region has a well-balanced mix of industries like Textiles, Iron and Steel, Chemicals, Pharmaceuticals, IT, Solvent Plants, and others. The region also has a favourable eco-system for agro based trading units, soya product units and enterprises engaged in processing of food products. Indore has also established itself as an educational hub including the presence of both Indian Institute of Technology (IIT) and Indian Institute of Management (IIM). Significant economic activities in the region has created employment opportunities which has led to higher per capita income. Indore has also been identified as one of the cities under Atal Mission for Rejuvenation and Urban Transformation (AMRUT). The purpose of AMRUT is to ensure every household to have access to tap water and sewerage connection, increase the amenity value of cities, and reduce pollution in the city. Along with being an AMRUT city, Indore is also one of the hundred cities selected for the SMART City project. In terms of operating performance, IMC recorded a revenue of Rs. 1918.95 crore in FY24 as against Rs. 1880.49 crore in FY23, along with an operating profit margin of around ~35.51 per cent in FY24. Further, IMC has also reported a revenue of Rs. 1068.33 crore in 6MFY25 as compared to Rs. 982.73 crore in 6MFY24, depicting an improvement of ~8.71 per cent as on 6MFY25.

Presence of Structured & Waterfall Payment Mechanism

The payment mechanism of Term loans and NCDs issued by IMC entails maintenance of an Escrow Account, Debt Service Reserve Account (DSRA), Interest Payment Account (IPA), and Sinking Fund Account (SFA).

I. The DSRA has been created on the pay-in date with an amount equal to one year interest payment for the bond structure.

Further, for Term Loans, the corporation shall create and maintain a DSRA upfront to meet the debt service requirements for the ensuing 1 quarter principal and payment due.

II. The funds (Owned Revenue) received in the Escrow Account will be transferred to IPA and SFA on a monthly basis as per the terms of the bond.

III. At the end of each month, an amount equivalent to 20 percent of the half yearly interest payment shall be transferred to the IPA IV. An amount equivalent to 1/12th of 10 percent of the bond size shall be transferred to the SFA on a monthly basis as per the terms of bond.

IV. An amount equivalent to 1/12th of 10 percent of the bond size shall be transferred to the SFA on a monthly basis.

IPA

An amount, as specified in the terms of bonds/loans agreements, will be transferred to IPA from Escrow Account on monthly basis. In case of any shortfall in the amount lying to the credit of interest payment account on transaction date (T)-25 days prior to debt service, the trustee shall inform IMC, and the latter shall cover the shortfall by T-15 days. If the corporation fails to cover the shortfall by T-14 days, then the trustee will instruct the bank to transfer the deficit from DSRA to IPA by T-10 days.

SFA

The debenture trustee shall check the balance in SFA at the end of each year; in case of any shortfall, the trustee shall inform IMC to replenish the same. Further, the trustee shall check the balance in SFA in T-25 days from the principal redemption date. In case of any shortfall, the trustee shall ask IMC to make good the shortfall in T-15 days. For Term Loan, the corporation shall create another Sinking Fund on monthly basis to cover the instalment amount which is due quarterly. The amount accumulated in the sinking fund shall not be used for any purpose other than for servicing Term loan. The amount in the SFA shall be utilized on due date of repayment of principal amount.

Escrow Account

Escrow account is held with the TL lending bank and all funds constituting the compensation amount in lieu of Octroi from MP State government / Central government are being credited to such escrow account. In the waterfall mechanism of escrow account, the TL will have first ranking.

Management of Funds

The management of funds in the various designated accounts will be overseen by the trustee. Any surplus funds available in the Escrow account, after meeting the aforesaid structured payment mechanism, can be transferred to IMC's general fund account. Escrow Account, DSRA, IPA and SFA shall be maintained with a scheduled commercial bank, rated at least 'AA+' by two rating agencies, throughout the tenure of the instruments. If the rating of senior debt of the concerned bank falls below 'AA+', IMC will move the fund to other bank, satisfying the aforesaid conditions. The status of the designated accounts will be shared with the debenture trustee and rating agencies on a periodic basis during the tenor of the bonds. The funds credited and lying in IPA, SFA and DSRA can

be kept in fixed deposits with a scheduled commercial bank with a dual rating of 'AA+' or above. The interest income earned on the investments made from SFA, DSRA and IPA can be utilized towards obligations of the respective accounts.

Civic Service Coverage

IMC's water supply connection (base considered population) coverage and sanitation coverage remained adequate. IMC has achieved 100% coverage in terms of solid waste collection since FY20.

Weaknesses

Significant buildup in receivables

The receivables of the corporation have remained high resulting in a significant buildup of receivables as on 31 March 2024. The Gross debtor position stood at Rs. 2568.73 crore as on March 31, 2024 against Rs. 2413.70 crore in the previous year. The debtors pertain to accumulated overdues in Property taxes and Fees & User charges. However, IMC has created a provision of Rs. 905.49 crores for a part of these overdue receivables and the same will be created and maintained going forward. The net receivables stood at Rs. 1663.23 crore as on March 31, 2024, against Rs. 1508.20 crore as on March 31, 2023. The extent of recovery of the legacy receivables by the corporation will remain uncertain in the near term. Acuité believes that any significant build-up in receivables beyond existing levels will be a key rating sensitivity factor.

Assessment of Adequacy of Credit Enhancement under various scenarios including stress scenarios (applicable for ratings factoring specified support considerations with or without the "CE" suffix)

The presence of structured credit enhancement and waterfall mechanism entails maintenance of an Escrow Account, Debt Service Reserve Account (DSRA), Interest Payment Account (IPA), and Sinking Fund Account (SFA) which ensures timely repayment of debt in a regular course of business as well as in stress scenarios.

Rating Sensitivities

- Higher than expected collections with improvement in debtor position
- Continued elongation in debtor position coupled with deterioration in debt service coverage indicator with entail a negative bias towards the rating
- Changes in credit enhancement structure

All Covenants

- During the tenure of bonds, DSCR shall not fall below 2 times.
- Issuer to maintain the Debt Service Reserve Account which shall be funded on the pay-in date with an amount equal to two half yearly interest payments for bonds.
- IMC shall set up the separate no-lien Escrow Account and the funds lying in account(s) in which the own revenues/cash flows of the Corporation are collected shall be transferred to a Escrow Account for debt servicing.
- Eligible Bondholders/Trustee on behalf of Bondholders shall have first charge over the Escrow Account and the account(s) where the own revenues/cash flows of the Corporation are collected/pooled.
- At the end of each month any shortfall in the Debt Service Reserve Account shall be replenished from Escrow Account.

Liquidity Position Adequate

IMC has adequate liquidity marked by healthy net cash accruals of Rs. 658.43 crore for FY2024 as against total debt obligation of Rs. 69.53 crore in the same period. The corporation generated cash accruals in the range of Rs. 600 to Rs. 650 crore during the last three years through FY2024 against repayment obligation of Rs. 60- 65 crore during the same period. Further, the liquidity is supported by structured and waterfall payment mechanism designed for NCDs and TL. The issued bond has a call and put option at the end of seventh year. The gross current asset days of the Corporation have increased and stood at 561 days as on March 31, 2024. The GCA days are driven by increasing receivables arising from overdue property and Fees & User charges. However, the cash and bank balances of IMC stood at Rs. 962.37 crore as on March 31, 2024 (including balance in nationalized as well as other scheduled banks from various funds such as Municipal, Special and Grant funds).

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	1918.95	1880.49
PAT	Rs. Cr.	264.37	272.69
PAT Margin	(%)	13.78	14.50
Total Debt/Tangible Net Worth	Times	0.11	0.14
PBDIT/Interest	Times	21.41	19.33

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Explicit Credit Enhancements: <https://www.acuite.in/view-rating-criteria-49.htm>
- Urban Local Bodies : <https://www.acuite.in/view-rating-criteria-57.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
23 Dec 2024	Term Loan	Long Term	150.00	ACUITE AA Stable (Reaffirmed)
	Non-Convertible Debentures (NCD)	Long Term	139.90	ACUITE AA Stable (Reaffirmed)
	Proposed Non Convertible Debentures	Long Term	30.10	ACUITE AA Stable (Reaffirmed)
	Term Loan	Long Term	170.00	ACUITE AA Stable (Reaffirmed)
29 Mar 2024	Term Loan	Long Term	150.00	ACUITE AA Stable (Reaffirmed)
	Term Loan	Long Term	170.00	ACUITE AA Stable (Reaffirmed)
	Non-Convertible Debentures (NCD)	Long Term	139.90	ACUITE AA Stable (Reaffirmed)
	Proposed Non Convertible Debentures	Long Term	30.10	ACUITE AA Stable (Reaffirmed)
31 Mar 2023	Non-Convertible Debentures (NCD)	Long Term	170.00	ACUITE AA Stable (Reaffirmed)
	Term Loan	Long Term	150.00	ACUITE AA Stable (Assigned)
	Term Loan	Long Term	170.00	ACUITE AA Stable (Assigned)
02 May 2022	Non-Convertible Debentures (NCD)	Long Term	170.00	ACUITE AA Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Not Applicable	INE00QS07014	Non-Convertible Debentures (NCD)	29 Jun 2018	9.25	29 Jun 2028	139.90	Simple	ACUITE AA Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	0.01	Simple	ACUITE AA Stable Assigned
Not Applicable	Not avl. / Not appl.	Proposed Non Convertible Debentures	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	30.10	Simple	ACUITE AA Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	13 Mar 2020	Not avl. / Not appl.	31 Mar 2027	150.00	Simple	ACUITE AA Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	14 Dec 2020	Not avl. / Not appl.	01 Dec 2027	170.00	Simple	ACUITE AA Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	19 Apr 2024	Not avl. / Not appl.	28 Feb 2031	87.79	Simple	ACUITE AA Stable Assigned

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About Acuité Ratings & Research

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